

NOMINATION OF HENRY CISNEROS

Y 4. B 22/3: S. HRG. 103-17

Nomination of Henry Cisneros, S. Hrg...

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE ONE HUNDRED THIRD CONGRESS

FIRST SESSION

ON

NOMINATION OF HENRY CISNEROS, TO BE SECRETARY, DEPARTMENT
OF HOUSING AND URBAN DEVELOPMENT

JANUARY 12, 1993

Printed for the use of the committee on Banking, Housing, and Urban Affairs



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NOMINATION OF HENRY CISNEROS, TO BE SECRETARY, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

TUESDAY, JANUARY 12, 1993

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The committee met at 10 a.m., in room 628 of the Dirksen Senate Office Building, Senator Donald W. Riegle, Jr. (chairman of the committee) presiding.

OPENING STATEMENT OF CHAIRMAN DONALD W. RIEGLE, JR.

The CHAIRMAN. The committee will come to order. Let me welcome everyone in this overflow audience today, and very particularly our distinguished nominee and those that are here to introduce him.

I want to say, just briefly at the outset, that we're here today for the purpose of the hearing on the confirmation of Henry Cisneros to serve as Secretary of the Department of Housing and Urban Development. I believe he'll be an outstanding Secretary, and I very much look forward to his confirmation.

We have six new members being seated today for the first time on the Senate Banking Committee. And I will, just a little later, appropriately take note of that and introduce each of them this morning.

I also want to acknowledge the presence and the assignment to the new duties of Ranking Minority Member, my colleague and friend from New York, Senator D'Amato, seated to my right.

Before going any further at this point, I want to indicate that we have, today, two—we have another very important committee confirmation hearing that will be taking place just a few minutes from now. That will involve Senator Bentsen who, of course, is the Secretary-Designate for the Department of the Treasury.

Secretary Bentsen has asked to come and speak on behalf of Mr. Cisneros today, as has his Texas colleague, Senator Gramm, a member of this committee.

In deference to the fact that Senator Bentsen's hearing will start shortly, and Senator Gramm also will be there to speak on behalf of Senator Bentsen, I am going to, with the indulgence of the committee at this point, call on Senator Bentsen for his statement that he wishes to make. Then I will call on Senator Gramm, likewise.

Secretary Kemp, who is here, has indicated to me that he also must leave very shortly, and so he wants to make a very brief but fulsome comment in support of Mr. Cisneros.

And we also have Congressman Serrano here. We're delighted to have him from the House.

So we're going to change the order to accommodate that special timing request.

Let me say, Senator Bentzen, how delighted we all are with the fact that you have been asked to serve as Treasury Secretary. You'll do a truly exceptional job in that capacity, I know, and this committee knows. We're happy to have you here this morning.

We know that you know Mr. Cisneros very well from your experiences working with him in Texas, and we'd be pleased to hear your comments now.

STATEMENT OF LLOYD BENTSEN, U.S. SENATOR FROM THE STATE OF TEXAS

Senator BENTSEN. Mr. Chairman, I'm most appreciative of your accommodating my schedule. And to show you once again my high regard for the designee, the Finance Committee has very kindly deferred my confirmation hearings, to give me an opportunity to appear for Henry Cisneros.

Mr. Chairman, I'm appreciative of the chance to appear before this distinguished committee, and particularly to endorse President-Elect Clinton's nomination of Henry Cisneros as Secretary of Housing and Urban Development.

I have known Henry Cisneros a long time. Let me state that he is a man of far-ranging talents and abilities, and willingness to share them.

We've noted that he's had a full term occupation of the job of Mayor of San Antonio. That's America's tenth largest city. He is recognized as one of our Nation's most innovative mayors. Particularly, he's shown what can be done for housing when you have a strong advocate for it as mayor. Because of that leadership on the City Council, and in turn as mayor of that city, they went into areas that had no residential development for 30 years, and began to refurbish. And what you see now in that area is hundreds of new and rehabilitated homes for moderate- and low-income families, half a dozen senior citizen complexes, each with more than a hundred units, dignified residences near medical facilities, proper transportation and shopping. And they've vastly improved the quality of life for the elder citizens of San Antonio.

San Antonio is the first city to be able to figure out how you can modernize and refurbish residences in an area without moving those residences. And it became a model for the entire Nation, used by HUD as an example.

Moreover, Henry Cisneros has been instrumental in developing a series of creative practical loan programs and grant programs to make housing affordable and accessible.

One program makes the downpayments, pays the closing costs of young couples and elderly residents who can qualify for mortgages with private lenders. To start out with a budget of \$60,000, and now to have seen an additional \$37 million in private funding come into San Antonio's housing market.

San Antonio's homesteading program purchases RTC and FHA housing, offers working families grants and low-interest loans to rehabilitate them.

A handicapped rehabilitation program provides low-interest loans for ramps and other construction to take care of the disabled in their homes.

An emergency repair program assists low-income families where you've had damages from storms.

And with imagination and determination, Henry Cisneros fought the battle against difficult housing challenges and he won.

Along the way, he earned the bipartisan respect as a member of President Reagan's Commission on Central America, as Assistant to HEW Secretary, Eliot Richardson, as President of the National League of Cities, and as Chairman of the National Civic League.

Even when Henry joined the private sector, he continued to support the public sector. He continues to serve as a volunteer with organizations devoted to educating children and expanding access for health care.

Addressing the issues of our Nation's families, he's shown, time and time again, that he places the betterment of others ahead of himself, and he has never forgotten his roots in the Mexican-American community.

You know his talents and his record are worthy of the Cabinet post for which he has been recommended.

I know that he can convey America's agenda from the barrios to the board room, carry the concerns of America's families back to Washington and deliver results that makes a difference for all Americans.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Bentsen.

From your vantage point in Texas, as the Senior Senator that's a very powerful and very important endorsement.

Let me permit you to leave at any time. I know you must be downstairs.

And I'm going to call on Senator Gramm now. We're pleased to have you, of course, a member of this committee. But I think it's significant that we have two Senators, one from each party here, on behalf of this nominee. So, Senator Gramm, we'd like to hear from you now.

STATEMENT OF PHIL GRAMM, U.S. SENATOR FROM THE STATE OF TEXAS

Senator GRAMM. Thank you, Mr. Chairman. I'm very happy to be here. I'm very happy to be here with my colleague Lloyd Bentsen. As you noted, I'm going downstairs to introduce him to the Finance Committee.

I think we are blessed in Texas that there will be many Texans in this administration. I always believe that when you want someone to get a job done, Texas is a good place to begin the search. I am hoping that this will not only be good for our State, but it will be good for the Nation. I'm confident that this will be the case.

I have known Henry Cisneros since my days as a college professor at Texas A&M University. I knew Henry there when he was a student. Henry was a smart, dedicated student. He was respected

by his professors and by his peers. He was a student leader, he was active in the Corps, he was a model student. And might I say that Texas A&M University, that I'm proud to identify with, is proud to identify with Henry Cisneros. The greatest judge of a university is ultimately its graduates, and Texas A&M is very happy to be judged by Henry Cisneros.

I've known Henry, in his capacity as Assistant to the City Manager of Bryan, my hometown. I have known him as a City Councilman, and as Mayor of San Antonio. I have known him in numerous capacities, and Henry Cisneros has done an excellent job at everything that he has done.

I am confident that, as head of HUD, he will be a competent administrator. I think he brings a wealth of experience as mayor of a large American city, a mayor who is very active in housing programs. I think, as President of the League of Cities, he has an experience that is going to be very important to HUD.

I also think, Mr. Chairman, from the point of view of a Republican, Henry has an open mind. One of the things that we have tried to do in the last 12 years, is to transform public housing into a community asset, to look at private ownership, to look at new and innovative ways of doing business. And I am convinced that Henry will review those proposals that have been made, that he will try to build on the progress that we've made, and, Mr. Chairman, I look forward to working with Henry Cisneros.

I intend to be a leader in his confirmation. I am confident that he will not only be confirmed, but he will be confirmed by an overwhelming vote. I hope that it is a unanimous vote. I certainly intend to work toward that goal. And I appreciate having the opportunity to be here.

Thank you, Mr. Chairman.

THE CHAIRMAN. Thank you, Senator Gramm. We appreciate that endorsement and those statements. Let me also excuse you, so you can go down to Senator Bentsen's hearing.

Let me now say to Secretary Jack Kemp, who is here, I just want to, if I may, say a personal word. I have appreciated the working relationship that this committee and I have had with you during your tenure at the Department of Housing and Urban Development. We appreciate the work that we've been able to do together, and I want to just say to you that I wish you the very best in your future endeavors.

I appreciate the fact that you're here today to testify on behalf of the Secretary-Designate. Again, I think it's a showing of bipartisan support for this nomination. And we'd be pleased to hear from you now.

STATEMENT OF JACK KEMP, SECRETARY, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Secretary KEMP. Thank you, Mr. Chairman.

Before I start, may I thank you as Chair, Ranking Minority Member Senator D'Amato, all the new members of this committee, all the members.

Mr. Chairman, you and this committee have given me and the Bush administration an extraordinary degree of cooperation. Your hospitality, your courtesy, and your cooperation has been so impor-

tant in the National Affordable Housing Act, which was a bipartisan effort. The reform of HUD, which I'm sure Henry Cisneros will build up.

And I just want to personally thank you for your friendship and that of Al D'Amato, and Kit, and Connie and Dick Shelby and everyone who has served on this committee.

The transfer of governmental power is a fundamental feature of our liberal democracy. It became quite abrupt this morning, when I got into the back seat of my car and settled down to read my paper, and found out that I had no driver.

[Laughter.]

But it certainly is a cherished tradition that you alluded to, Mr. Chairman, that Democrats and Republicans put aside partisanship, and come together on behalf of a cause that transcends Republican, Democrat, or left and right.

It is in that spirit that I come here today.

As I said, the National Affordable Housing Act, the whole strategy of empowering the poor, ownership, entrepreneurship, economic development, these are clearly within the focus of Henry Cisneros, not only as the outstanding Mayor of San Antonio, as Senator Bentsen alluded to, but also in his work in Latin America.

Senator Bentsen talked about Henry Cisneros on the Presidential Commission on Central America in 1983. Scoop Jackson, a name to be revered in these hallowed halls, Lane Kirkland, Jeanne Kirkpatrick, myself, Henry Cisneros, traveled extensively.

His support for economic development in the Third World, his recognition of the importance of the North American Free Trade Area Zone, his efforts to empower the poor, I am very encouraged, Mr. Chairman, that the type of work that Henry is used to, as Mayor of San Antonio, his work in a Third World country and in Latin America, his recognition that, as he said in this morning's paper, that after visiting Los Angeles in the middle of the riots, he realized that he was called, destined, if you will, to come back to public service.

It is that same mission that has propelled us these last 4 years, and compels me to want to continue efforts to encourage empowerment and the war on poverty. I don't think it can be won, as I submit my formal statement for the record, Mr. Chairman, it cannot be won in the traditional way. It cannot be won on either a liberal or just a conservative basis. It has to be done by putting aside biases and prejudices, it has to be put aside on behalf of something that Mr. Cisneros said in a recent article in the Washington Post.

He said, we cannot talk about the economy and not talk about our cities, our towns, about the poor of all races. He said it breaks his heart, Mr. Chairman, when meeting and hearing people talk about those who want to write off our neighborhoods, write off entire cities, or worst of all, write off a generation of young people.

Just as a person who gains the world might lose his soul, certainly a country has a collective soul. The soul of America is in what we do on a bipartisan basis about poverty. The soul of America is in what we do about our inner cities. The soul of America is at stake in what we do about race relations and empowering the poor, and providing ownership and entrepreneurship and reform-

ing, in a radical way—I don't mean that right or left—but in a radical way our welfare system. That will allow men and women to get out of poverty and get off of welfare and become independents of the Government plantation, to use someone else's quotation.

So I'm very encouraged by the selection of President-Elect Clinton for Henry Cisneros.

I wish he and Mary Alice Perez, his wife, the very best. Tell him how much I appreciate his friendship, and tell you once again, how much I am encouraged by the bipartisan spirit by which this country has yet to fight and win a war on poverty and a war to save our Nation's inner cities, and to bring this Nation together, as you have pledged to do, Henry.

I know you'll find the same cooperative spirit that I had in the last 4 years.

I thank you, Mr. Chairman, for your hospitality and I thank President Bush publicly for picking me. I used to tease him about saying I was born to be HUD Secretary. I must admit it was teasing. I have a smile on my face.

If there is one man who was born to be HUD Secretary, it was Henry Cisneros. God speed.

The CHAIRMAN. Thank you very much, Secretary Kemp, for your gracious comment. We wish you well. We appreciate again all your hard work, and God speed.

I think what we will do now is complete the order. And as I said earlier, Congressman José Serrano is here from New York. We're delighted that he is. Let me invite you now to make your comments, and we'll return to the comments from members of the committee.

STATEMENT OF JOSÉ E. SERRANO, U.S. REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Representative SERRANO. Thank you, Mr. Chairman, Senator D'Amato.

It is with great joy and great honor that I come here before you today to say a few words on behalf of Henry Cisneros who, by virtue of what I've been hearing lately, doesn't need my support to be confirmed.

But certainly Henry makes so many people in this country so proud, and serves as a role model for so many young people who are lost, and who can now look to someone like Henry Cisneros, and know that indeed there is a better tomorrow for them to attain for themselves and for their families.

I first met Henry when he was Mayor of San Antonio, a city that is very important to me, since I spent a wonderful but undistinguished military career at Fort Sam Houston in Texas, in the country club of the Army.

Henry, at that time, was already a major leader in the area that he will now embark on, telling people what should be done about the cities, showing us how in fact local community organizations can join up with the board rooms of America, and not be afraid of bringing people in, quote unquote, from the outside to help the cities.

You have to understand that Henry took over as mayor at a time when there was a lot of distrust between people in certain commu-

nities and people who supposedly ran the country, if you will. Henry was able to bridge that gap and talk to people about coming together.

Throughout the years, his work has been well known. I'm not one of those who ever felt embarrassed by the fact that he was at least a hundred times better known than any other Hispanic leader in the Nation, certainly in this Western Hemisphere, also.

This is really a truly great nomination for a truly great man, who will serve as a truly great role model for all Americans.

Henry Cisneros brings to this job experience, he brings the dedication, he brings the commitment, but he also brings a certain style that says, no matter how good you look on tv, you're always basically a kid from the barrio. That's important, that's very important.

There's a lot of Hollywood in this profession, maybe too much at times. Henry will bring us back to earth every so often by reminding us that this could end at any moment. The voters can end it for you, an administration can end it for you too.

Henry Cisneros is very special. I wanted so much to be here today to put in, Henry, my 2 cents, to tell you that I am so very proud of you. And on behalf of those people who won't get a microphone to say it, I'm so very proud of what you have accomplished and what you will accomplish.

I represent the poorest congressional district in the Nation. It is a district that needs a lot of help. It is a district that unfortunately has a lot of experts on what's wrong with our housing system, what's wrong with the delivery of services.

We're very excited, not only about the new President, about the new administration, but we're excited about the fact that Henry Cisneros has his name as Secretary attached to the area of housing. That is extremely important to us.

Henry, thank you very much for letting me be part of this today. And it'll be certainly one of the memorable moments in my life.

PREPARED STATEMENT OF CHAIRMAN DONALD W. RIEGLE, JR.

The CHAIRMAN. Thank you very much. We appreciate your comments, and you're always welcome here. Let me also excuse you if you wish to go, or you're certainly welcome to stay as well.

Let me now, as we move forward on this nomination, we want to make an initial comment about the fact that the committee is meeting, of course, for the first time this year. And we have a number of new members on the committee. I want to acknowledge them and make a brief comment in that regard.

I feel that we're particularly fortunate, on this committee, to have had six new Senators join us. We have Barbara Boxer from California, who is here. Ben Nighthorse Campbell of Colorado, who is joining the committee. Carol Moseley-Braun of Illinois, who is here. Patty Murray of Washington, who is here. Lauch Faircloth of North Carolina, we're pleased to welcome him. And also Mr. Robert Bennett of Utah.

As we go through, I might just say to the new members, the procedure that we follow here in this committee is a little different than other committees. That is that we try to maintain a very open and equal participation process so that after making some initial

comments that I want to make with respect to this nominee, and calling on the Ranking Member, Senator D'Amato, we will, in the order in which people have arrived, call on other members for any opening comment that they wish to make, before we actually proceed.

In light of the fact that we've had a number of persons coming to speak on behalf of Mr. Cisneros, I would hope we could keep those comments somewhat short today. But I nevertheless want to stick with that practice of calling on each member in order, so that they have the opportunity to make whatever comments they wish to make.

Finally, two other points, just in reference to the committee and its work. I want to especially welcome Al D'Amato as the new Ranking Member on this committee. We have worked together on a wide variety of issues for many years, and I very much look forward to maintaining and working in that same fashion now, on a bipartisan basis, as we carry out the work of this committee, and I very much look forward to that.

I also want to pay a tribute to a member who is not rejoining us, Senator Terry Sanford. We had a number of other members leaving this committee, and we knew, prior to the time of the Congress adjourning, that they were leaving, and we were able to make comments about them appropriately.

Terry Sanford was one of the most valuable members I believe of the Senate and certainly of this committee and made an extraordinary contribution here. We miss him very much. Mr. Faircloth, who has taken his place, will have big shoes to fill, and I know he joins this committee with the intention to do so.

But on this particular day, I want to make that tribute to Terry Sanford, because of the very important leadership that he gave this committee and the contributions that he made that are lasting ones.

Let me now go directly to our nominee. As others who have spoken this morning have said, Mr. Cisneros, I think is one of the individuals who brings the very highest qualifications to the position of Secretary to which he has been named. And I think he has what it takes to respond to the housing needs and the many urgent human problems in our urban areas facing our country today.

Truly his background is exceptional. He has served, as has been noted, as the first Hispanic mayor of a major U.S. city. And in so doing, experienced, first hand, the difficult challenges confronting urban America. By his talent and skill, he brought the public and the private sectors together to rebuild the economic base of his home city, San Antonio.

He is an urban policy scholar, as well as a practitioner, and he has spoken eloquently of the need for the public and the private sectors to join together to restore economic opportunity and new promise to the residents of our cities. And frankly, there is no other way. I hope that we'll hear today some of his views on various innovative approaches that have been proposed to achieve this goal.

I and others worked last Congress with out-going Secretary Kemp to craft Enterprise Zone legislation that combined, on the one hand, targeted tax breaks with, on the other hand, enhanced public investment in critical areas, in order to break the spiral of

decline in distressed neighborhoods. That concept was adopted and incorporated in the tax bill sent to President Bush which, unfortunately, he vetoed. I certainly intend to reintroduce this enhanced Enterprise Zone legislation early in this Congress.

So I would very much be interested in the thoughts of the nominee. President-Elect Clinton has commented on this of course in the campaign, so I would ask you to address that issue here this morning.

We also want to hear the nominee's ideas on how to improve access to capital in distressed communities.

Increased community development lending is a top priority of this committee, and we have already scheduled a hearing on that topic for February 3, 1993.

One way we've got to promote access to capital is to continue to vigorously enforce fair lending and community reinvestment laws to ensure that banks and other traditional lenders are doing their utmost to meet the credit needs of all the communities in which they do business.

Patterns of racial discrimination in lending and credit redlining generally have often starved the urban areas of investment capital they need, and this must be changed.

In addition, local community based financial institutions, with a primary mission of investing in distressed communities, over new vehicles to supplement the activities of more traditional lenders.

President-Elect Clinton has advocated a Federal program to support these different kinds of institutions, such as the community development banks, like the South Shore Bank in Chicago.

Last year, this committee sponsored a demonstration program along those lines in our Housing Act. And I look forward to working with the new administration on a much broader initiative in that area.

I'm also interested to hear the nominee's views on coordinating our urban policy in this country. Presently, there is no mechanism to coordinate policy among the more than ten agencies of the Federal Government responsible for the many Federal programs to promote urban revitalization. So a White House Council on Urban Affairs, or some similar structure could provide a centralized mechanism to coordinate Federal programs affecting urban areas, and in fact develop a coherent national policy. I would very much hope that the Secretary of Housing and Urban Development would be put in charge of that kind of designated effort.

I also hope that the Senators will hear today, from Mr. Cisneros, his thoughts on the role that housing and community development programs can play in a broader economic recovery program.

Senator Sarbanes and I have written to President-Elect Clinton to express the view that any economic stimulus package must include a substantial community investment program. Infrastructure means more than highways, bridges, and airports; it means neighborhood streets, local parks, community buildings, and decent, affordable housing.

Finally, I want to stress the important role the Department of Housing and Urban Development, an enhanced role, if you will, in the regulatory oversight of Fannie Mae and Freddie Mac.

Last year's Housing Act placed important capital, affordable housing and fair lending requirements on these multi-billion dollar Government sponsored enterprises. The committee will carefully monitor the enforcement of these critical requirements. So I would ask you, Mr. Secretary-Designate, to devote particular attention to this important responsibility.

Let me now withhold further comment, and call on Senator D'Amato for his comments at this time.

OPENING STATEMENT OF SENATOR ALFONSE M. D'AMATO

Senator D'AMATO. Thank you very much, Mr. Chairman.

First, let me join in welcoming our new members, both Democrats and Republicans, to this committee. Gosh the new members almost make a majority, so we'd better be careful here, Mr. Chairman.

I'd like to particularly give my best wishes to our two new members, Bob Bennett, whose dad was a member of this committee and served in the Senate for some 24 years. Welcome Bob.

Lauch Faircloth, who shares a very special relationship with myself and Connie Mack, the first person ever to get one of our distinguished friends to wear a tie, appropriately. That's a little in-house story.

And then to say that I'm going to ask that the full text of my remarks be entered into the record as if read in their entirety, Mr. Chairman. Because I'm interested in hearing from our housing designee.

I know he's going to be confirmed overwhelmingly. I'm looking forward to it, because in the few short minutes that we had to spend together, I got the feeling from Mr. Cisneros that this is someone who is totally and deeply committed to making a difference in our urban centers, in our rural towns, in our suburban communities. He understands and knows the problems and he has strong feelings as to how to effectuate meaningful change.

In that spirit, I can say to you, we look forward to working together in a truly bipartisan effort. And I think we can make a difference. I think, under your leadership, Mr. Secretary-To-Be, that there can and will be a profound change.

Never have I seen someone who comes to the job so well equipped, and with a temperament that I believe will bring many to your side. So I look forward to hearing your remarks, and letting others share in these thoughts.

The CHAIRMAN. This morning, we're going to go in the order of seniority. After today, we're going to follow the order of arrival in terms of calling on members.

The next two members I'm going to call on are those who have really been leaders in the area of housing and activities within the scope of the Department. So let me call first on Senator Sarbanes, and then on Senator Bond.

OPENING STATEMENT OF SENATOR PAUL S. SARBANES

Senator SARBANES. Thank you very much, Mr. Chairman.

Mayor Cisneros, I join my colleagues in welcoming you to the Banking Committee this morning. This is the first of what I expect

will be many appearances before this committee. We're delighted to have you at the witness table.

I congratulate you on your nomination to be Secretary of Housing and Urban Development, and I express my appreciation to the President-Elect for sending us a nominee with the qualities needed at this critical juncture for housing and urban policy.

As a former mayor, you have firsthand knowledge of the economic and social challenges facing America's communities today. You have a proven track record in building strong partnerships between the public and the private sectors, that have generated jobs and economic opportunities.

As a trustee of the Enterprise Foundation, headed by Jim Rouse of my State, you have had the privilege of working closely with one of the great urban visionaries of our time, and one of the chief architects of the new Federal housing policy contained in the 1990 National Affordable Housing Act. I can't tell you how important I think that association with Jim Rouse, and the ability to sort of learn from him and be guided by him, will serve you in the days ahead.

As a former President of the National League of Cities, you've worked with the Congress on numerous occasions to advance key elements of the housing and urban agenda.

The role of HUD Secretary will require you to draw upon all of these talents and more, because the Nation's housing and urban problems are severe and complex, affecting every State, city, and community in our country.

Despite the best efforts of thousands of committed individuals, the Nation's affordable housing crisis continues to worsen. The crisis is most severe for low-income renters. Since the 1970's, there's been a substantial reduction in the number of affordable rental units in the housing stock, and a sharp increase in the number of poor families. The result is a classic mismatch between supply and demand, leading to higher rents, higher rent burdens, increased overcrowding, increased evictions, and increased homelessness.

Incredibly, over five million households in this country now pay more than half of their income for rent and utilities, live in sub-standard housing, or both. These households generally live on the brink of despair, with little income left for food, clothing, health care, and other necessities.

The housing crisis has also affected the lives of millions of young, primarily middle class families, who have seen the dream of home ownership grow ever more elusive.

As incomes have failed to keep pace with housing costs, between 1970 and 1990, the average purchase price for a starter home rose 21 percent in real terms, while the average income among potential first-time homebuyers declined 7 percent in real terms. So for these young people out to buy their first home, the average price of the homes went up 21 percent in real terms. Their income dropped 7 percent in real terms.

Despite the depressed home purchase prices in some markets, and lower interest rates, the gap between income and home prices remains difficult to bridge. Of course, housing prices are only one component of larger urban trends, including the persistent loss of manufacturing jobs, inadequate investment by financial institu-

tions, the rise of the drug culture and the pervasiveness of random violence, and the mismatch between the service needs of urban residents and the declining economic and tax basis of local governments.

To add to these problems, the Department continues to face serious management problems. A few weeks ago, the General Accounting Office issued a report on housing and community development issues. In that report, they say, and I now quote:

Although the Congress and HUD made major efforts to address these management and program design problems, the underlying causes of HUD's longstanding management deficiencies remain largely unresolved. These deficiencies include inadequate information and financial management systems, weak internal controls, and an inappropriate organizational structure, leading to ill-defined responsibilities and authority, and insufficient staff resources to perform necessary functions, such as monitoring and enforcing program requirements. These problems leave HUD's multi-billion dollar programs open to fraud, waste, abuse, and mismanagement.

They went on to quote actually HUD's own Office of Inspector General cautioning them about this situation. In short, HUD's management problems, while improved, remain a major challenge. But I firmly believe that these problems must not paralyze Federal actions to address our Nation's housing and urban needs.

There are literally thousands of qualified individuals and groups across the country, non-profits, neighborhood activists, State and local government lenders, builders, who are willing and able to take quick and meaningful action.

They are looking to you for strong leadership. That leadership could take many forms early on in the new administration. Let me just mention a few of them, in the course of closing.

Prompt and effective implementation of the Home Program, which was the very center of the Affordable Housing Act, and the thing that Rouse David Maxwell and their committee developed.

Permanent extension of the low-income housing tax credit and mortgage revenue bond programs.

Accelerated distribution of Federal appropriations for programs. These are appropriations already made but sort of in the pipeline for many projects and activities that are ready to move.

Additional Federal commitment to targeted community development efforts.

Strong enforcement of the recently enacted GSE law, which will spur affordable housing lending, particularly in credit starved inner cities, and quick implementation of the risk sharing demonstration in the 1992 Act to enhance multifamily production and preservation.

These actions will not only help meet pressing housing needs, they will also help stimulate economy in distressed communities by generating jobs, both directly and indirectly.

I look forward to working closely with you in your efforts to restore HUD to a state of management excellence, and to carry out HUD's mission of affordable housing and community revitalization. Your work and your leadership can have a profound impact on the quality of life of our people in communities all across the country, and I wish you well as you take on this major challenge.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Sarbanes. Senator D'Amato indicates I'm going to call next on Senator Bond.

That the members on his side apparently, other than Senator Bond, are going to waive their opening comments. Am I correct on that?

Senator D'AMATO. That is correct, Mr. Chairman. We're interested in hearing the Housing Secretary-To-Be.

The CHAIRMAN. Senator Bond?

OPENING STATEMENT OF SENATOR CHRISTOPHER S. BOND

Senator BOND. Thank you, Mr. Chairman.

It's a great pleasure to welcome Henry Cisneros before the Banking Committee.

A staple cliche in this committee is to comment on how difficult the nominee's job is going to be. Unfortunately, Henry, in your case, the cliche is absolutely right. You face the daunting challenge of working on HUD's management problems, to gear up the Agency to face some of our cities' and our society's most serious problems, the physical and social decay in our cities, as well as the management.

Your predecessor, Jack Kemp, brought great energy and innovative ideas on both fronts. He began to turn HUD around, and correctly put housing problems in the context of broader economic and social programs.

Your challenge is great and we wish you luck.

The CHAIRMAN. Thank you very much.

Senator Dodd?

OPENING STATEMENT OF SENATOR CHRISTOPHER J. DODD

Senator DODD. Mr. Chairman, I'd ask unanimous consent that my prepared statement be included in the record.

The CHAIRMAN. Without objection, so ordered. All statements will be made a part of the record.

Senator DODD. I want to move things along so we get a chance to hear from the nominee.

Let me just briefly say, first of all, Henry, it's a pleasure to welcome you here. You've been a friend for so many years.

President-Elect Clinton has talked a great deal about the urban problems in this country and related issues, but I can't think of any better way to demonstrate his commitment and his concern about those questions than what he has done by designating you as his nominee to run the Department of Housing and Urban Development. It's about as strong a statement as he could have made.

We're fortunate, indeed, to have your expertise and experience. Having served as chief executive officer of a major city, you know how hard people are working to improve their lives in our cities, large and small, across this country, and that gun battles and burned out houses and hungry children are part of everyday life from San Antonio to Hartford or Bridgeport.

So I welcome, with a great degree of excitement and enthusiasm, your nomination. I am anxious to hear your responses this morning to questions, and I look forward to working with you in the future.

The CHAIRMAN. Senator Sasser? Do any other members want to make comments? Yes?

OPENING STATEMENT OF SENATOR JIM SASSER

Senator SASSER. Just very briefly, Mr. Chairman, I also wish to have my full statement included in the record.

The CHAIRMAN. Without objection.

Senator SASSER. I want to welcome Mayor Cisneros here today and tell him it's a great pleasure to see him. I had the pleasure of discussing a few matters with him just briefly in my office yesterday.

And I want to commend the new administration, Mr. Chairman for selecting a person of this nominee's caliber to move into this very very difficult job.

I think Senator Sarbanes laid out very clearly and very succinctly the overwhelming problems that you will face as Secretary of Housing and Urban Development.

I am very pleased that the President-Elect has chosen to put the mayor, or a former mayor, of a large city in this spot. It's been my thought for some time that the mayors of the large cities of this country have perhaps the toughest jobs in Government. They're down where the rubber meets the road. They are faced every day with stretching very scarce resources to try to cover almost overwhelming needs.

So I look forward to working with you. I look forward to being of all possible assistance to you as you take on this daunting task.

The CHAIRMAN. I might say, Mr. Secretary-Designate, you ought to handcuff yourself to the Chairman of the Budget Committee, because that's a very key man in the scheme of things around here.

Senator Shelby?

OPENING REMARKS OF SENATOR RICHARD C. SHELBY

Senator SHELBY. I have a few brief remarks.

First of all, Mr. Secretary-Designate, I support your nomination. I think the nomination is a great one. You come with a lot of experience. We've all extolled this. I would ask you, as I talked with you in my office the other day, to remember the smaller cities, the smaller towns in America too.

Don't forget the urban America that you will be focusing on. But you come from Texas, and you know that in America, from Maine to California, there are lot of small probably loosely defined cities, where there is constant need of housing, where there's homelessness, where there's despair, and I hope you will define the term, help define it, if we have to, loosely. Work on the cities, but also work on the small towns too.

The CHAIRMAN. Thank you, Senator Shelby.

Senator Boxer?

OPENING REMARKS OF SENATOR BARBARA BOXER

Senator BOXER. Thank you very much, Mr. Chairman. I'd like to make a few remarks.

First, I am delighted to join this committee and look forward to working with my colleagues. I've been warmly welcomed into this institution and am very, very pleased to join you. I'd like to say to Mr. Cisneros, the nominee, that his is a brilliant appointment by the President-Elect. I look forward to working with you.

When my opportunity to question Mr. Cisneros arrives, I want to raise the issues of redlining, Veterans' homelessness, and what to do about vacant HUD units that are sitting out there rotting.

We'll have a daunting task, and I think every one of us looks forward to working with you.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Senator Moseley-Braun, we're pleased to have you.

OPENING STATEMENT OF SENATOR CAROL MOSELEY-BRAUN

Senator MOSELEY-BRAUN. Thank you very much.

I would ask that my statement be read into the record.

The CHAIRMAN. Without objection, so ordered.

Senator MOSELEY-BRAUN. So I will not make a speech this morning on my maiden voyage in this committee. I'm delighted to be here, as Senator Boxer has indicated. I look forward to serving on this committee. It looks like it will be a very exciting committee.

I think Senator D'Amato pointed out that most of the membership is new, so all of us have a lot to learn here. But at the same time, just the scope of the issues being considered by this committee I think will distinguish it as one of the more exciting places to be in this next 4 years.

I am delighted also to welcome the Secretary-Designee Cisneros. We met briefly in my office yesterday, and talked a little bit about the scope of the challenge that he faces. It is, to use Barbara's words, Senator Boxer's words, it is a daunting task.

He is facing an Agency that has tremendous administrative problems which, if nothing else, hamstring its ability to deliver to our people, but at the same time, a challenge that I think can be one of the most symbiotic, if you will, in Government. That is to say, to make public investment in a way that will provide for the public welfare and the public good, not only for those for whom housing is created directly, but for the population as a whole.

I think that is really the central part of this mission, that housing stands at the core of our economic wellbeing, of our economic development efforts, and that the opportunities to stimulate our economy, to create jobs, to provide for the quality of life for Americans really comes before your Agency probably in a more direct way than in most. So you have a daunting task in front of you.

We will, I gather, in the questions get to the specific issues facing your Agency, but I would want to assure you of my support, of whatever help that I can be, and I look forward to working with you as we address, and finally after a long hiatus, after twelve years in the desert, address the issues confronting our cities and our urban communities.

Thank you.

The CHAIRMAN. Thank you very much.

Senator Murray, we welcome you.

OPENING STATEMENT OF SENATOR PATTY MURRAY

Senator MURRAY. Thank you, Mr. Chairman, members of the committee. I too am very pleased at being on this committee. I assure that although I'm at the end of the table here, I promise to be in the middle of every conversation.

[Laughter.]

So I'm happy to be here. I'm also very encouraged by the nomination of Henry Cisneros. He is a visionary. He understands and has the experience to tackle the monumental problems facing our cities and our low- and middle-income families.

Although the problems facing America seem enormous, so is the potential of our cities across this Nation. I certainly look forward to his vigor and his initiative in the housing area, because it does mean so much to the families in my State and other States across this Nation.

I look forward to working with you.

The CHAIRMAN. Very good.

Mr. Secretary-Designate, let me ask you to stand and raise your right hand now, as I administer the oath.

[Nominee sworn.]

The CHAIRMAN. We're delighted to have you. I know your wife is here with you. We'd like you, at an appropriate point, to introduce your family, and make your opening comments.

We're very pleased to have you here.

TESTIMONY OF SECRETARY-DESIGNEE HENRY CISNEROS

Secretary-Designee CISNEROS. Thank you very much, Mr. Chairman, Senator D'Amato, and members of the committee. I appreciate the honor of being able to be with you today, and the many courtesies extended to me by this committee in the weeks following my designation by President-Elect Clinton.

I want to thank Senator Bentsen for his making the extraordinary effort to be here this morning, given that his own hearing was to begin at 10 o'clock, and he postponed it by one-half hour in order to be here for the introduction. It is characteristic of the brand of public service and courtesy that's associated with Senator Bentsen.

I want to thank Senator Gramm for his special effort to be here, as well. He is correct. We go back a long way to our Texas A&M connection, and I'm especially grateful that he could be here this morning.

I wanted to thank Congressman Serrano, who is the Chair of the Hispanic Congressional Caucus. And he made a special effort to come back from New York to be here this morning.

And of course to thank Secretary Kemp for the extraordinary courtesy throughout this entire period since designation. I've had the opportunity to meet with him, and he has provided full access to individuals and resources that have allowed me to begin to get a handle on the task at hand.

I appreciate the opportunity to introduce my wife, Mary Alice, who is here with me today. And I would like to ask her to stand, if she would, at this time.

The CHAIRMAN. We're delighted to have you.

Secretary-Designee CISNEROS. I want to acknowledge and thank family and friends who are here today. I've not had an opportunity to see everyone that is seated behind me, but I will look around in a minute, and try to recognize as many people as I can.

I also would like to thank, with your permission, two persons who are not here. One is President-Elect Clinton, who has given

me this opportunity. And another is a gentleman you have worked with, those of you who have been members of this committee on the House side. And that is the Congressman from my own home district, the Twentieth District of Texas, Congressman Henry B. Gonzalez, who has, for his entire career, worked on housing matters.

So my public service was not only in his shadow of public service generally, a very high standard, but particularly a refined attention and consciousness about housing.

I also want to compliment the members of the committee for their work, your work together in achieving major movement forward on housing in recent years.

The McKinney Homeless Assistance Act of 1987, the Housing and Community Development Act of 1987, the HUD Reform Act of 1989, the Cranston-Gonzalez National Affordable Housing Act of 1990, and very importantly, because of what it allows in terms of the work that we can do together now, the Housing and Community Development Act of 1992.

Before considering my qualifications and capacity to assume this important position, I ask that we remember fundamentally why we are here.

In urban areas and in rural hollows, in cities large and small, an entire generation of our young people is slipping away. We are advised by some to write off teenagers and youth and to focus our attention on the preschoolers with whom we still have a chance.

Families with declining wages are downsizing and discarding essential American dreams, such as owning their own homes.

More and more, the people of our country seem to be divided by race, intimidated by crime, and isolated from the economic mainstream.

The thunderclap of violence emanating from Los Angeles reminded us of the scale and complexity of the immense challenges confronting our diverse and multicultural society. I am here today because I am convinced our country is in trouble, and that we're running against time.

Restoring safety and prosperity to our communities, ensuring a steady supply of liveable and affordable housing, and rekindling hope in the hearts of our people, are values that are central to the mission of the Clinton administration and its Department of Housing and Urban Development.

I come to this assignment as an advocate of the city, a skeptic of the status quo, and a believer in experimentation, federalism, and the need to provide people with hope. These are values which I intend to bring to the Secretary's office if I am confirmed, for they are the values which I've tried to bring to my life as a public servant.

My commitment to working with American communities dates back to 1967, when I traveled to New York City as a university student to see, first hand, the scope and severity of what was then described as the urban crisis.

My first job out of college was as an assistant to the City Manager of San Antonio. In short order, I served as Assistant Director of a HUD program of that era, the Model Cities Program, an expe-

rience that prepared me to understand the problems of neighborhood life in the poorest areas of a city.

Later, I worked here in Washington on the Staff of the National League of Cities, and was selected to be a White House Fellow and work on an urban advisory group for then Secretary Eliot Richardson in the Department of Health, Education, and Welfare.

These experiences with urban and city issues helped prepare me to serve the people of San Antonio. As their mayor, I worked to create jobs, provide housing, fight crime, and strengthen education.

As Mayor and as President of the National League of Cities, I visited virtually every major city in America, and many small communities, and developed a greater appreciation of the problems facing our neighborhoods and communities, and how best to solve them.

The cities and the States cannot solve these problems alone, but neither can the Federal Government. If we're to help cities and communities, HUD must be an effective partner with those units of Government, those elements of the private sector, and those representatives of the non-profit sector of our society who share our goals and desire to achieve results.

I envision three aspects to my mission at HUD if I'm confirmed by this committee and the U.S. Senate.

First, developing an urban strategy. Second, focusing on the mission of housing, and third, overhauling the management systems and continuing reforms of the Department. These are mutually reinforcing goals, and they cannot be realized separately. They must be implemented together and at the same time.

First, let me speak of urban policy.

It was Winston Churchill who said, first we shape our buildings, and then they shape us. He was correct. The physical places where Americans live and work and recreate and raise their children and grow old are central to HUD's mandate.

This is why this Department must be the focus of President Clinton's urban strategy. We must take advantage of the new spirit of strategic thinking that is emanating from the local level. By tapping the talents and ideas of leaders in the communities, we can make urban places exciting and key building blocks in a rejuvenated American economy.

The second aspect of the task is to address HUD's traditional mission of housing. I'm alarmed by the direction of key housing indicators, particularly for those most in need.

The number of low rent units in the housing stock has fallen. The number of worst case renter households, who have to spend over 50 percent of their income on housing, has increased. The number of homeless persons has increased. The percentage of income paid by poor homeowners for shelter is up, and multifamily housing starts are down.

While we cannot promise today that we can meet all of those needs, we must work with speed and dedication to begin to reverse the trends. Every morning, our task will be to work to turn all of these arrows in a positive direction, a task for which I expect to be held accountable. Ultimately, this depends on a resurgent American economy, a private sector that spurs investment, and spreads

prosperity to the ghettos and barrios of our Nation. We at HUD will also do our part.

Third, the Department must be run with greater efficiency, a sense of innovation, and a greater connection to our partners in Government and to the people we serve.

HUD still faces enormous operational deficiencies. They must be remedied and then we must move to an even higher standard. That means bringing the Department to a new order of fiscal and programmatic effectiveness, and it means reviewing and critiquing the Department's performance, using the GAO, PriceWaterhouse, and the Inspector General Reports, for example, to measure the deficiencies and to put in place the systems and organizations to correct them.

Finally, the Department should expand participation to other stakeholders, listen to their voices, and encourage everyone, Federal, State, and local participants, to focus their energies on results. We must replace a "gotcha" mentality driven by regulations, with a problem-solving spirit. We must reestablish HUD as an enabler, partner, and agent of change.

Those are the principal challenges of the Department as I see them, Mr. Chairman, and Senators, and they define our task and our mission in the years ahead.

Although there is a sense of crisis in our cities, there exists a strong desire to make our communities vibrant and give our children hope.

I am a Texan. And, as Senator Gramm indicated earlier, my State leads the Nation in bragging about our homes, our communities, and our accomplishments. But I'm well-traveled enough to know that the people of America feel that way about their communities and their home towns too.

We're a country enriched by our civic pride and we're constantly on a journey for self-improvement, to lift our incomes and aspirations, to bind the wounds of racism and discrimination, to take this Nation to higher heights, and to bequeath a more peaceful civil and prosperous future to our children. This is what I want for my children, and I know you want for your families, and what we all want for our society. With your support, we will do our part to realize those dreams at the U.S. Department of Housing and Urban Development.

Thank you. And I'm ready to take your questions.

The CHAIRMAN. Very good. That's a good statement and we welcome it.

I mentioned, at the outset, that Senator Sarbanes and I had written a letter to President-Elect Clinton to urge specifically that areas within your prospective jurisdiction be included as part of the economic stimulus program, because that's obviously going to be the first package up here from the new administration. In that letter, we specifically advocated three items that I want to raise with you.

One is to take the money that has already been provided for the home program and public housing modernization, and to accelerate the actual movement of that money through the pipeline, so that it goes out there and causes good things to happen.

Second, that the administration seek an increased appropriation for the community development block grant on the theory that that empowers local officials to decide what activities they can most usefully employ to strengthen their communities.

Then finally the permanent extension of the mortgage revenue bond and low-income housing tax credit programs, which have been around for a long time, and have done a lot of good for us.

I'm wondering, do you agree with us that each of those programs should be included in the economic stimulus package?

Secretary-Designee CISNEROS. Senator, I have spoken to President-Elect Clinton in recent weeks, as well as to key members of the economic team, as they think through the issues of a stimulus package versus deficit reduction, the issues that have been covered so completely in the press in recent weeks.

I have indicated that if indeed there is to be an economic stimulus package, that I would hope that it could include five elements that touch on the work of this committee, the three that you have mentioned and two others.

I have spoken further with OMB-Designee Panetta, with Economic Team Leader Rubin, and with Labor-Designee Reich, who has been working in the economic area in the transition, and indicated the importance of these five elements.

That the HOME Program has some \$2.5 billion, which were appropriated, but held up in regulations at OMB, which could be part of immediate action.

Second, that low-income tax credits—

The CHAIRMAN. I might just say that that's a form of gridlock that doesn't always get the attention that it should. I want those regulations settled so that money can move out and deal with these problems. Go ahead.

Secretary-Designee CISNEROS. Low-income tax credits should be extended permanently, and mortgage revenue bonds should be extended permanently.

I further indicated that two other elements could be part of a stimulus package, if it was decided that a strong community dimension was warranted. And those are CDBG, which has the capability of being infused into communities very rapidly, as you know. As a former mayor, I know that there isn't a program that has greater flexibility or for which more needs are backlogged than the Community Development Block Grant Program.

Finally, a fifth would be public housing modernization funds.

These would be elements that could be part of a stimulus package.

I might also say that they are programs that one ought to work on in any event, such as the removing of the HOME program from the regulatory stalemate that it meets at the moment.

The CHAIRMAN. Let me move next to Community Development Banks. This is something that President-Elect Clinton has advocated in the campaign, and this is something this committee included on a demonstration basis in the bill that we passed last year. We've got a hearing scheduled on that on February 3, 1993, because we really want to move forward on that.

Can you tell us who's going to be responsible for quarterbacking the Community Development Bank Program? Will that be yourself, or where will that be in the new administration?

Secretary-Designee CISNEROS. Senator, I do not know. That is to say, it has not been decided, to my knowledge. It is my understanding that there is some discussion as to whether that would be most appropriately at HUD or at Treasury, or in an independent setting.

I do know that President-Elect Clinton feels strongly about the Community Development Bank proposal, and he has spoken repeatedly about how these will work in relationship to the Community Reinvestment Act. That is to say, they will continue to work in accordance with the CRA. How they will work in relationship to housing, assuming that one of the main purposes of Community Development Banks is to lend for housing in central city areas.

And I do believe that as this proposal if fleshed out, that it will incorporate many of the creative concepts that came from this committee's previous work and your own development of the Community Development concept earlier on.

The CHAIRMAN. Can you indicate to me today a commitment that you'll have—you or the administration will have the appropriate witness for us on our hearing for February 3, 1993?

Secretary-Designee CISNEROS. I'm certain that the administration will have someone present, the person with the greatest expertise and best-prepared.

The CHAIRMAN. A senior person.

Secretary-Designee CISNEROS. I cannot say that it will be me. I don't know what decision will be made on that score, but I'm certain someone will be here who can speak to the substantive issues on Community Development Banks.

The CHAIRMAN. Let me just say, I think it needs to be a senior official, because we want to move ahead on this. And so I want to elevate it up to that level. So I'd ask you to take that back.

Senator D'Amato?

Senator D'AMATO. Mr. Secretary-To-Be, I was intrigued, in our conversation, with the fact that you recognized and talked about the need to have a comprehensive program as it relates to housing in our cities in particular, one that took in various aspects in terms of public safety, education, et cetera. Might you share, for the committee, some of your thoughts as to this?

Secretary-Designee CISNEROS. Senator, as a person who's worked at the local community where Federal programs hit the street and hit the neighborhood, one has a very different view than viewing from the Washington end of the program, where they take the form of titles of legislation, or budget numbers.

I have always felt that it's very important to try to make sense, some coherency of how these programs come together at the local level.

Let me say that I'm very impressed with the work that this committee has done on enhanced Enterprise Zones, which had, as a central element, going beyond the tax policy aspects that are traditionally associated with Enterprise Zones, to focus on other Federal programs, so that the enhanced Enterprise Zone idea that you proposed earlier had the Justice Department, in order to deal with crime and street gangs and so forth, had involvement from the De-

partment of Education, to work on issues of schools, from the Department of HHS, to work on things like child care and welfare reform in the context of housing, to involve the Labor Department to link training to housing needs. I think that makes eminent sense, and I hope we're able to work together to pursue that within the Enterprise Zone concept.

But beyond that, it needs to be a hallmark of how we package and bundle urban efforts, so that they really make sense at the local level where these problems are inseparable. They're part of a fabric, and cannot be dealt with in individual pieces down where folks are living them.

Senator D'AMATO. How can we come down to construction of housing or housing programs without their being safety or a sense of wellbeing in the community, they go for nought.

Secretary-Designee CISNEROS. Absolutely.

Senator D'AMATO. One last question, because I'd like to see if we can't move this.

I hope, Mr. Secretary—and it won't be a question, it'll be an observation—I hope that we do not discard the strong elements of vouchers and the utilization to provide immediate housing opportunities for working families and poor.

I know there's a great push, particularly by the builders and developers, for more public housing. I'd like that empowerment concept about which you and I spoke about giving working families that opportunity to own their own home, as opposed to the old concepts of the huge highrise, low-income housing projects that often trap people in the most unfavorable of circumstances.

Secretary-Designee CISNEROS. Senator, I think we've learned a lot in recent years about the problems of various kinds of approaches to providing housing for people.

While there is a strong place in American public policy for traditional public housing, we need more. I am a fan, from the receiving end, of the section 8 Moderate Rehab Program, for example, which begins to replicate aspects of the market so that people can choose where they want to live.

I think it's a very important program, and I am intrigued by aspects of, for example, the HOPE III Program, that makes it possible for people to purchase single-family housing with assistance, and actually end up owners of single-family houses.

These, I think, are important things that must be pursued.

Senator D'AMATO. Thank you, Mr. Secretary.

The CHAIRMAN. Senator Sarbanes?

Senator SARBANES. Thank you very much, Mr. Chairman.

Mr. Secretary, one of the major trends in affordable housing in the past two decades is really the very impressive growth in the capacity and expertise of State and local governments, and non-profit organizations to deal with the housing issues.

In fact, the new HOME program—and I want to take a moment to pay tribute to Senator Cranston, who is not in the Senate any longer, but who exercised such strong leadership in developing the National Affordable Housing Act, along with Senator Riegle and Senator D'Amato and Senator Bond. This act put into place a partnership approach, giving State and local governments responsibil-

ity for evaluating housing needs, setting priorities, and implementing local programs.

Many think that that system is in place and ready to move forward aggressively on affordable housing production, on rehabilitation on acquisition and on management. Of course, if we could activate it, it would help to ease the housing crisis, revitalize the communities and stimulate job creation.

How can the Federal Government quickly move to tap these energies and resources which many of us think—first of all, do you agree that there's a system out there in place, waiting, ready to go, if it can get the kind of partnership approach that it needs out of the Federal Government? And if you do agree, how can the Federal Government become an effective partner in moving ahead?

Secretary-Designee CISNEROS. Yes, sir, I do agree.

I said in my opening remarks that I felt particular gratitude to the committee and the Congress for passing the 1992 Act, because I think many of the elements in there have set the conditions among non-profits and others, and frankly created a very ready moment for the kinds of things we want to do to be successful.

I also want to pay tribute to the sort of slogging work that Secretary Kemp had to do in removing the most egregious examples of what were outright scandal and corruption at the outset of his tenure, so that a foundation for some of these kinds of things can go forward.

Let me just address the question specifically by citing, in a litany kind of way, some things that we can do.

The sale of FHA multifamily inventory to non-profits is one way to move things from default status, and from the present inventory, to where they provide housing for people.

Risk sharing relationships that avoid some of the co-insurance problems of earlier, but the risk sharing demonstration concepts that you wrote into the 1992 law.

Working with housing finance organizations at the State level, that are very competent and have become very good in recent years, is another thing that can be done. It has the checks and balances that co-insurance did not, because there was no one to say no in the earlier co-insurance effort, when we were relying on private lenders alone.

But bringing the checks and balances of housing State finance organizations with the kind of public scrutiny and care that they bring to it makes this risk sharing concept real, and I think we can get some major work done.

Re-energizing FHA and its role as the principal housing force in the country is another way. That means naming good people to lead it, and that means backing and supporting them in their efforts.

Stressing the affordable housing push that you wrote into the 1992 law for Fannie Mae, for example, and working closely with Fannie Mae to move that organization.

All of these are elements of a strategy which in short order I think can result in housing available to those who most need it.

Senator SARBANES. I think all of those are right on target.

I do want to underscore again the point you made in your statement, and Chairman Riegle emphasized in his questioning. That is

that there's money—you're going to face a problem; where are you going to find the money to do the programs?

The fact remains that for some of your programs, there's money available. It's already been appropriated, it's been through the budget process, it's been accounted for, and it's simply waiting to be put to work. The HOME Program is clearly one such area, which of course then brings a response from State and local governments. And, as the Chairman pointed out, that's been held up by OMB with the regulations.

I very much welcome your indication of your intent to press very hard to move those regulations through, so you can implement that program.

Another area is, the money has been appropriated. It's in the past budget, as it were, and in the current budget, for the modernization of the public housing inventory.

Now you know the bad public housing gets tremendous publicity and attention, but there's a lot of very good public housing, and we think some of that modernization money, put to work, can turn some of that around. I would hope that you're prepared to be receptive in some respects to sort of sweeping steps.

Some of this large highrise public housing is not working; it's so flawed that probably you need to demolish it and replace it with other approaches.

That happened, I think, in St. Louis, if I'm not mistaken. We face a particular problem in Baltimore of that sort now. It exists in other cities in the country. And we would hope that HUD would be prepared to be sort of innovative and imaginative in trying to address that issue, because many of these are really deep trouble spots, and they sort of spread a rot through the rest of the public housing inventory.

The CHAIRMAN. I'm going to have you give us a quick response, because I want to stay within the time limits, because I want to give everybody a chance. So if you would give a quick response, please?

Secretary-Designee CISNEROS. Very quickly, I was just going to say that I have spoken to OMB-Designee Panetta in specific terms about the need to unleash those regulations from the HOME Program. And I'm hopeful, I would expect that that will be one of the things I'll work on the first day on the job, if confirmed.

The other point is that I accept the point that you have made, and that Senator D'Amato has made, about highrises and some of the difficulties that are inherent in it, like some older traditional public housing. We must accept a very strict discipline that has been part of the law in recent years. I think that otherwise, we would only diminish the housing stock at a time when we need to be enhancing it.

The CHAIRMAN. Very good.

Senator Bond?

Senator BOND. Thank you, Mr. Chairman.

I was most interested in following up on that last comment, the question that the Senator from Maryland made on distressed public housing. Because even though estimates are only 86,000 units, a small minority of the overall stock, these are very serious situations when school children are shot at on the way to school at

Cabrini Green, and the outrage of having the Federal Government pay to house families in inhumane squalor.

We have worked out a voluntary takeover of the PHA in Kansas City. There have been HUD takeovers. We put in the 1990 bill, the additional enforcement tools, and an objective system to evaluate PHA management.

Secretary Kemp had initiatives in the 1992 bill to allow the residents themselves to choose new management. And there were additional powers given in the 1992 bill.

Can you elaborate on your plans for remedying the distressed public housing units around the country?

Secretary-Designee CISNEROS. Let me say, first of all, that I want to at least acknowledge the reality that there are 3,200 public housing authorities in the country. Twenty-four of them are labeled as troubled, and three have been taken over.

I don't want to diminish the problems, but I do want to acknowledge those individuals, public servants out across the country that are housing people. Because it's too easy to, in a broad brush, taint workers and people who live in public housing who really need it.

Now to speak to your question directly of the troubled housing authorities, clearly HUD has acted correctly in moving to take over Philadelphia, Chester, and Kansas City. This poses some very serious questions of how to best administer those immediately. These are things I'll have to address as soon as I'm on the job, if I'm confirmed. There are others, I'm told, for which there are immediate decisions that need to be made.

I think we need to establish a quick response or strike force capacity to not only send HUD personnel but also some of the best people who are managing housing authorities today to evaluate and move into some key situations and see how they can be pulled back from the brink.

I've talked with public housing authority officials who have been advocating this for some time. They know how to run housing authorities well, I would argue perhaps better than civil servants in the bureaucracy in Washington, in some instances.

And we could put together some innovative groups to go in and work in places that are troubled. They are ready to do that. I have seen this concept work in school districts, for example, in States where the State educational authority will send in a master to deal with the superintendent, and a superintendent and a school board that just aren't working.

That same concept, I think, can be brought to the public housing arena. Beyond that, I think it will be very critical to set up training of a quality and of an intensity and seriousness that we've not had before.

We need to set up a central training capability that includes perhaps certification of people who are public housing authority managers, who are in charge of development in housing authorities and so forth, so that we can move to a critical mass of capabilities and training. I think that would be an important thing to do.

Further, I think it would be very important that we think together about the new environment that confronts public housing authorities.

As I have visited public housing authorities during my years as mayor, my wife and I actually spent the night with a family in a public housing unit in San Antonio. Last Saturday, I spent 3 hours trying to match some of what I hope to share with you today against what I wanted to see on the ground in the housing authority there.

I'm impressed by the fact that, for example, HUD does not fund security. They have to, in most cases, figure out how to use maintenance money for security, and short cut maintenance in the process. It's that kind of thing I think we need to think about when we face security problems that are going right to the heart of the livability of big housing projects, and yet we're not part of the solution on those things.

Those would be at least some attempt to answer your question.

Senator BOND. Very quickly, one last question I wanted to ask you.

Lots of debates have gone on here about how deeply targeted housing programs should be. Do we need to take care of all of the neediest first? There are those who are intimately involved with housing developments who say that if you help only the poorest families with the worse social problems, it's a recipe for disaster.

What's your view on how deeply targeted housing programs should be? Should there be an income mix, and perhaps limit targeting based on tenant-based assistance more deeply?

Secretary-Designee CISNEROS. That's a very hard question, and I can't tell you that I have a well reasoned, philosophical response. I think I want to spend some more time on that. But I can say that I do believe that it is essential to try to get mixes of income, or we end up with nearly impossible problems.

This is not my own opinion as much as it is listening to public housing people who try to manage these things in real life. They tell me, if you don't have a mix, then you create problems that become untenable.

That doesn't mean we can't focus on the neediest in every way we can, homelessness and other problems. But we ought not do things that create insolvable problems, such as that.

The CHAIRMAN. Chairman of the Budget Committee, Senator Sasser.

Senator SASSER. Thank you, Mr. Chairman.

Mayor, I, like Senator Sarbanes, am a strong supporter of the Home Investment Partnerships Program. I was pleased to see that there was a strong endorsement for it in the book that the Clinton campaign put out, called "Putting People First."

We, as you know, have utilized this whole program in Chattanooga, TN, in something called Chattanooga Neighborhood Enterprise, which I think you indicated to me that you had seen?

Secretary-Designee CISNEROS. Yes.

Senator SASSER. And it's working well there. I'd like to see this program get more emphasis. Of course, in this day of scarcity of resources, the problem is always out there, where are the resources going to come from.

It occurs to me that the pension funds in this country are the repositories of many of our Nation's most investable funds. And I think these institutions should play an increased role in revitaliz-

ing our cities. Pension funds, if we stop and think about it for just a moment, enjoy significant benefits that are conferred upon them by the public.

For example, most of our Nation's defined benefit pension plans are insured by the Pension Benefit Guarantee Corporation. Many of us are concerned that the taxpayers and the Federal Government may have a large contingent liability there that we may have to satisfy at some point.

Interestingly enough, pension funds are the largest tax expenditure in the budget. By that, I mean the corporations who deduct their contributions to pension funds constitute the largest tax expenditure in the budget. Of course, that is a loss of Federal revenues to the Federal Government, even though it's for a very worthwhile purpose. And frankly, I support it.

But I'm coming around to this question. What role do you think pension funds could play in revitalizing the distressed urban areas of this country? Do you think that pension plans have a responsibility to invest in urban areas? And if so, what do you think the Federal Government might do to encourage increased pension plan investment in our cities?

Secretary-Designee CISNEROS. I appreciate the question, Senator.

Let me say at the outset that I have some particular sensitivity to this question, because, since leaving the Mayor's office in San Antonio, I have organized a private company whose job it was to manage large institutional assets. And the largest assets that we have managed are pension assets. It is a company, by the way, of which I am divesting, in order not to have any conflicts of the kind that this debate might engender.

Let me say that I have discovered over the years that these trillions of dollars which are growing dramatically fast because of the contributions into them, the growing retirement population and so forth, is the largest sum of investment capital in the world. And that there are ways to get returns for those funds and do the social good of creating housing and investment in communities.

Let me just say, also, that I know that the pension industry and retirees are very nervous about this, and I think we have to be exceedingly careful as a Federal Government that we don't in any way even suggest jeopardizing people's savings and people's hoped for retirements. So one has to be very careful. This is not an environment that one can go into mandating percentages to be spent on these kinds of investments.

But to the degree that returns can be made that are as good as could be gotten in the marketplace by building housing, and to the degree that it can be done by incentives, then I think this is a laudable objective and worthy of careful analysis and going forward.

Senator SASSER. Do you think this is a source of funds that could have a significant impact on meeting some of the urban needs or urban problems with regard to housing?

Secretary-Designee CISNEROS. Again, assuming that one could fashion a way to assure that those funds are properly protected so that they're available for their primary purpose, which is to take care of people's retirement, yes. There's trillions of dollars that could be spent on these kinds of important social objectives.

Senator SASSER. I think, as a precondition, we'd have to be sure that they were properly protected and guaranteed. Of course, they're already guaranteed, most of them, by the Pension Benefit Guarantee Corporation. But perhaps there would need to be additional safeguards and additional incentives. But I think that's an enormous amount of funds that we could use for a useful purpose.

Secretary-Designee CISNEROS. The last I looked at was \$2 trillion, growing to \$4 trillion over the course of a decade.

Senator SASSER. One final question very quickly.

I said, at the outset, that I am pleased that the President-Elect has chosen the former mayor of an urban area to head the Department of Housing and Urban Development, because clearly our largest problems are in urban areas. And just what happened this past summer in Los Angeles, I think, is a clear indication of that.

But I don't want to overlook what's happening in rural areas and what's happening in our smaller communities.

For example, in my State, half the people live outside of the major urban areas, and I dare say, it may be the same situation in Texas. And I'm sure it is in a whole host of Southeastern and Midwestern States, for example.

My question is, have you given any thought to how you can ensure that the needs of the smaller communities have a voice in HUD? I say that for this reason. First, there is poverty in the smaller communities, there is inadequate housing. And if we can enhance the quality of life and enhance the housing prospects in these smaller communities and in rural areas, I think it will serve to retain people in those areas, rather than dumping them in on top of the already almost insurmountable problems we have in the urban areas.

Secretary-Designee CISNEROS. Senator, I understand the problem. As President of the National League of Cities, an organization with 14,000 city members through the State municipal leagues, obviously that was a lot of communities beyond the major cities.

And as President of the Texas Municipal League, with about a thousand members far beyond the major cities in Texas, those are member cities and communities. I came to be acutely aware of the kinds of challenges that confront smaller communities. Many times, those are not the traditional urban problems but they're the need for water systems or sewer systems, areas where HUD has been active.

And very importantly, I think, in recent years, a major challenge in rural communities is elderly housing, where we can't do a better job of getting housing for elderly persons in smaller places.

If you look at a map of the United States today, it's a very interesting thing. By age, what you find is that the rural areas, in particular, a big swath of the middle of the country is the fastest aging, because the younger people are leaving the communities. And who is left behind in farming communities and so forth are older persons who cannot do those heavy jobs that they did before.

They need housing, they need help. But we also need to revitalize those communities so that the younger people will stay and those communities can stay strong. That means things like mainstreet projects, which we do together with the States, to save the retail centers of small towns. And it means things like working

on economic development, so that the economic life of the country can remain vibrant in these smaller communities, as well.

I'm attentive to the problem and I promised Senator Shelby, in our discussion the other day, privately, that I would be attentive to this question.

Senator SASSER. Good, thank you.

The CHAIRMAN. Very good.

Senator Mack?

OPENING STATEMENT OF SENATOR CONNIE MACK

Senator MACK. Thank you, Mr. Chairman.

Welcome, Mr. Cisneros. I appreciate the time that we've been able to spend talking about our own particular concerns.

I too want to add my commendation, if you will, to your choice. I think that HUD and the country is very fortunate to have individuals like you and Secretary Kemp, who care so deeply about their fellow man. So I look forward to working with you.

I can tell, again, I guess based on my own experience of going to various public housing communities throughout Florida, that your comment with respect to your concern about the lack of the mix of incomes in public housing communities is an important thing that we ought to take a look at. Which really kind of says we need to go back and kind of rethink some of the decisions that have been made in the past.

I think that we're very fortunate to have someone like yourself, who has spent so much time in the area of affordable housing, public housing, and opportunities.

So, again, I welcome you. I look forward to supporting you. I look forward to working with you.

I would like to pose at least one question, which is related to Enterprise Zones, and get a sense from you as to how enthusiastically you believe the new administration is going to pursue Enterprise Zones, number one.

And number two, given the two areas of importance that you've indicated for Enterprise Zones, both the tax incentives, but equally important, in essence, the kinds of assistance that needs to go to the communities and to individuals to make that work, would you identify, for me, the major elements of those two areas that you think should be included in the enterprise initiative.

Secretary-Designee CISNEROS. To answer the first part of your question, I do believe that the highest priority in the Clinton administration will include those items to which the President-Elect has spoken over the years and in his campaign. And Enterprise Zones is certainly one of those.

Second, I do think that the concept of adding enhanced, or what has been called by the President-Elect, comprehensive Federal services, to the tax strategies is critically important.

I think that if we were just to designate some physical real estate in a big city and provide some tax incentives, and then hope that companies would come, and then hope that if they did come, they would provide jobs for people nearby, and hope that if those jobs were provided, that somehow that was all going to make everything else all right, I think we'd be disappointed.

Senator MACK. I understand the significance of your point. It's well made, and I assure you, listened to. The point that I'm asking about are the tax incentives that you think might be important in order to make it work, as well.

Secretary-Designee CISNEROS. I think that incentives that make it possible for companies to be able to locate there are the most important.

Senator MACK. How significant do you think the capital gains treatment is to the success of an Enterprise Zone?

Secretary-Designee CISNEROS. Frankly, I couldn't speak to that. I just don't know. I've not evaluated the relative merits of different tax incentives, but I'd be happy to look into any literature that may exist on that.

Senator MACK. We can talk about that at some later date.

But going to pick up on a comment made by Senator D'Amato with respect to vouchers, I have been told anyway that there are some five million people out there who are eligible for assistance, and the two basic approaches would be to build new structures or remodel existing structures, to make those units available, or to use the concept of vouchers.

What kind of emphasis—I was pleased by your earlier comments and our previous discussions—but what kind of emphasis would you place on one or the other?

Secretary-Designee CISNEROS. I don't want to sound as if I'm waffling on this question, but my experience has been that they are about even in terms of how they're utilized today.

I was surprised to know that we've got just about as many people in public housing in the country as we have in section 8 vouchers.

In my own city, it's an amazing thing, but it's in exact parallel. There are 8,000 housing units and 8,000 people for whom section 8 vouchers are out. I discovered that in my tour on Saturday.

Again, I don't want to sound as if I'm giving you a waffling answer, but my guess is that we've got to preserve the housing stock in public housing, modernize that which needs modernization, provide one for one hard replacement, because the need is that great.

The waiting lists are about as great as the number of people in housing units in the country at large. But that section 8 and other voucher programs, that make it possible for people to replicate the marketplace and go out and get housing, just works so well, and they make it possible for people to select where they want to go. This even-handed approach ought to continue to be the strategy, in my opinion.

Senator MACK. I don't take your response as waffling at all. In fact, I appreciate your sense of balance.

You've apparently approached providing assistance in a balanced way. And if a community is very much in need of public housing, that's probably the area where you're going to come down.

Where you believe that vouchers are going to end up putting more people into assisted housing, that's probably the way you're going to go. I accept that and I appreciate that.

Thank you, Mr. Chairman.

The CHAIRMAN. Very good.

Senator Boxer?

Senator BOXER. Thank you, Mr. Chairman.

Mr. Cisneros, I would like to ask you two questions. The first question concerns redlining. Redlining is a serious obstacle to home ownership in minority communities. A recent study by the Federal Reserve Bank of Boston revealed—after controlling for all legitimate credit concerns—that minority applicants are still 60 percent more likely than white applicants to be rejected for home mortgage loans.

Now in California, in 1991, the seven largest banks with \$200 billion in California assets made less than 500 mortgage loans to African-Americans. We have very similar numbers for Latinos. That's extraordinary.

I'm very concerned about these numbers because home ownership is the American dream; if people are facing obstacles that aren't fair, we need to do something about it.

I know President Clinton has discussed this, and I'd like to hear what role you envision for HUD—should you be confirmed, and I fully expect you will be—in fighting these discriminatory practices.

Secretary-Designee CISNEROS. Thank you very much.

I feel very strongly about the importance of giving credit to people so they can make not only housing decisions but other decisions about their lives as well. College decisions, commercial decisions about starting a small business, and a thousand other things.

I have recently served, until August, as Vice Chairman of the Federal Reserve Bank of Dallas. In that capacity, I really focused on this particular issue of redlining more than any other thing.

Clearly, the Community Reinvestment Act is an important instrument. I oppose personally, and have spoken against those suggestions that somehow in the effort to reduce the regulatory burdens for the banking sector, that CRA is one of the things that ought to be diminished.

I don't support that because, frankly, the evidence is so clear, the unavailability of credit so acute, that the wrong thing to do at this time would be to give the signal of weakening CRA.

I do think we have to go beyond that, however, and do things such as the Community Development Banks, which have worked so well in the instance that Senator Riegle referred to, the South Shore Bank of Chicago, and in rural communities in Arkansas where South Shore was asked to come and provide assistance. And I think this is an important concept.

Now I think we have to be very careful. South Shore has worked because there were extraordinarily committed and capable people on the job.

To simply declare a hundred into existence would be a very difficult thing. It's going to take a very careful husbanding of talent and training and so forth to make it work, but it must be part of the answer.

Senator BOXER. I might add that I think it's outrageous that those banks receive passing grades under the Community Reinvestment Act. The banks should be audited more thoroughly rather than simply handing out passing grades.

I would hope that your agency could somehow get involved in at least giving opinions on whether these banks deserve passing grades when in fact they're failing.

The CHAIRMAN. If I may interrupt, we have just scheduled a hearing for February 24, 1993, in this committee on the mortgage discrimination problems precisely because of the concern we have that you are properly raising. So we intend to press very hard in that area, which will assist you in your work. But this is a critical issue.

Senator BOXER. I am extremely pleased and look forward to participating with you, Mr. Chairman, and following your leadership on this.

Secretary-Designee CISNEROS. May I say a quick word about that?

Senator BOXER. Certainly.

Secretary-Designee CISNEROS. One of the contributions that this committee could make in that process, it seems to me, from my experience on the Fed Bank is that the grading today is for the wrong things sometimes. In other words, the grade process and grade effort, and not results.

So they are completely correct to get passing grades, because they have published brochures, and they have put up posters, and they have put up some pamphlets in public places, and that is what they are graded on.

If we could find a way to get out of the process mentality and focus on results—frankly, I am not interested so much in the grading, as trying to get capital out there. I think we just sort of need to bring that perspective to it.

Senator BOXER. Mr. Chairman, in the interests of time, would you prefer I wait until the next round for my second question, or do it now?

The CHAIRMAN. You have got a minute. If it is a good question, why do you not pose it. Maybe we will get a quick answer in.

Senator BOXER. Thank you, very much.

Mr. Cisneros, I think it is important to put a face on the homeless because so often it is painful to look at homelessness. All of us have experienced it.

I think if we read the Annual Report of the Interagency Council on the Homeless we can put a face on the homeless. Part of this "face" involves veterans: A third or more of the adult homeless population consists of veterans. There are more Vietnam veterans' homeless than service men and women who died during the Vietnam war. We are even beginning to see Desert Storm veterans showing up in these numbers.

I know this committee shares jurisdiction for public and private housing, including veterans' housing that I am also concerned about.

Now just to get to my question: Given that bases are being closed all over the country, that we have empty beds in Veterans Hospitals, that we have 50,000 units of vacant and idle HUD housing, do you see some possibility of using vacant units and closed bases to shelter those who've put their lives on the line? I feel very strongly about this issue and wonder if you have considered it?

Secretary-Designee CISNEROS. I have seen some of the suggestions that have been made along those lines, and I assure you that I will pursue it.

I cannot say that I have concrete suggestions on that today, but certainly as military bases are closed and there are housing units available in such settings, and there are people wandering the streets every night who need housing, one would believe that something could be done in this area.

Senator BOXER. Thank you. Thank you very much.

The CHAIRMAN. We will help you follow up on that area. Senator Faircloth, again welcome to the committee. We would be pleased to hear from you now.

OPENING REMARKS OF SENATOR LAUCH FAIRCLOTH

Senator FAIRCLOTH. Thank you, Mr. Chairman.

Mayor Cisneros, to follow up the question slightly, we have 77 different Federal programs for the homeless. How many do you think we need?

Secretary-Designee CISNEROS. It is difficult, Senator, to just give a number.

Senator FAIRCLOTH. How many more do you think it would take to get them off the streets?

Secretary-Designee CISNEROS. I am not sure it would take more programs, but I suspect it takes coordination of what exists, seeking levels of funding that are necessary for existing programs that have proven themselves.

Most of what I have worked on and studied on this problem tells me that we need a multipronged approach. So a number of different kinds of strategies are necessary. We have Veterans who are homeless. We have families who are homeless. We have persons who have mental disabilities who are homeless. Many different life circumstances. So a range of programs is necessary. But I don't think it is possible to say, you know, how many of those 77, or whether more are needed.

Senator FAIRCLOTH. If I understood you correctly, you said welfare reform in housing. You mentioned that in your opening address. What do you mean?

Secretary-Designee CISNEROS. By that I mean that, as the new administration thinks through one of its priorities, which is reforming the welfare system, that the relationship to housing will be important to consider in rethinking how we do welfare in our country.

Senator FAIRCLOTH. Would you be a little more specific as to how?

Secretary-Designee CISNEROS. One might envision, for example, linking welfare payments—and this is not—I am not making policy here; I am just trying to answer your question in a forthright way—to making welfare payments matched to some assistance in housing vouchers so that a person has maximum flexibility in selecting a house, and then matching that to training.

So that in order to continue welfare payments after a point in time, it must be matched to continuing training and making child care also a part of that so there is a place to leave the children to go get the training. That kind of rationalization of different programs, recognizing that that is the way they work in people's lives.

Senator FAIRCLOTH. Would you support a program in which able-bodied people living in public housing would be required to do public service work?

Secretary-Designee CISNEROS. There are some suggestions about requiring training for people who can. That is to say, their children's age and so forth allows it, and requiring work experience.

These are certainly important to study in the context of the welfare reform that I referred to, and that you have commented on.

Senator FAIRCLOTH. President-Elect Clinton came with a number of programs and initiatives as a candidate for the Presidency.

Certainly many, many candidates all over the Nation running for public office have talked about the necessity of reducing the deficit. That would seem to be a pretty high priority among most of us, and certainly among those I ran.

In the last 12 years, agencies' expenditures have gone up some 92 percent. In the last 4 years, your spending has increased by 28 percent. Do you see any way that your Agency, HUD, can reduce its spending? Would you be willing to participate in a freeze in the amount of money going into HUD? Would you possibly even support a cutback in order that we might reduce the deficit?

Secretary-Designee CISNEROS. Senator, there is a good deal of debate on how one measures those numbers, and I want to stay out of that debate today if I can as to how we calculate how much the Department has been cut, or whether it has gained, et cetera.

Let me just say on that score that there was in 1977 some 350,000 new families who are served by HUD programs. In 1990, that number was 68,000 new families. So a decade ago, better than a decade ago, we were serving 350,000 new people. In 1990, we served about 68,000 new people. Yet, the need has grown.

Certainly as Secretary I will follow the decisions made in the administration, at the Office of Management and Budget and by President-Elect Clinton on matters of freezes and cuts.

But I will also say this to you: My reading of the GAO Reports, of the IG Reports, of the PriceWaterhouse Reports tells me that the Department once had 17,000 people. It now has 13,000. That is all right. Maybe it is doing better work with fewer people.

But at the same time, they tell me many good people have left, and they tell me that many good programs are not being run efficiently and that they can't keep track of section 8 vouchers because they don't have a computer and an accounting capability, and they don't know what assets they have at FHA.

I think it would be a mistake for me today to tell you that I could commit to a freeze in personnel when the facts which I discover next week, if confirmed, may in fact tell me that we need to have some talent to deal with all of these reports that tell me of these massive deficiencies.

Again, I start from the premise that we ought to be able to do the work of the people that are there.

One of the first tasks that I have will be to assess these reports and figure out how we do corrective action in some of these areas. I am going to try to do it with the folks that are there, with training and so forth, but it may well be that it is necessary to come back to this committee at some point and say, Senator, if we want to fix this problem at FHA, we are going to need some talent, some people to do it.

So obviously I will follow whatever mandates are put out and decisions are made about staffing, but I think we have got a problem in that particular agency that requires people.

Senator FAIRCLOTH. I understand the problem, and I am very cognizant of it.

As you well know, this is maybe my fifth day in the Senate. Totally having spent a life in the private sector, if we are going to reduce the deficit something has to be cut. I haven't seen any Federal agencies yet volunteering to be the first to come forward.

[Laughter.]

Secretary-Designee CISNEROS. Let me say again, as I tried to respond to questions earlier, I think there are ways to share responsibilities with State agencies, and there are ways to create a greater sense of partnership with local agencies to do some things more efficiently. But the truth of the matter is, we have an immense homeless problem in the country.

We have got a housing stock, Senator, in public housing that is going to cost us more unless we fix it, because the longer we let it go, the greater the deterioration, and therefore the greater the costs of creating. It is the classic: Pay me now or pay me later, problem.

So I just think we have got to be really forthright in some of these things that are going to get more serious, not less, unless we look at them.

Senator FAIRCLOTH. Thank you.

The CHAIRMAN. I might just say that the record will show that, through the 1980's there was no agency of Government that was marched to the chopping block more often, or with deeper cuts, than this agency. That is the fact of the matter.

The reason that you cannot find an empty park bench in Washington at night here is because the number of homeless people in the country has grown to such a size that we can't even count them all. So this agency—

Senator MACK. Mr. Chairman, I would like to ask a question about procedure here.

There were several things that were said during the discussion which I felt I would very much like to participate in, but with the understanding that we are trying to move forward in giving people an opportunity, I did not. If we want to get into counter-arguments about what one person is seeing, or another, then I think it is only fair that we all have that opportunity.

The CHAIRMAN. I don't disagree with that point. I will just finish my point, and then if you want to make a comment I will be happy to call on you for it. But I think the record will show the question has been asked and you have given what response you can as the Secretary-Designate.

I want the record to show that with respect to cuts that have taken place that this area of the budget has taken a larger share over the 1980's than any other that I am aware of. I don't think that fact is subject to challenge.

Senator MACK. The only point I would make at this time is that I think if you look at the dollar numbers, you might be right. But if you look at the numbers of people who are in fact receiving assistance, they have increased.

My point was not so much our getting into a debate as much as I wanted to know what the circumstances are here. Are we going to debate? Or are we going to go—

The CHAIRMAN. I think we have had the debate on this issue for now.

Senator MACK. Thank you.

The CHAIRMAN. Senator Moseley-Braun?

Senator MOSELEY-BRAUN. Thank you very much, Mr. Chairman. Mr. Cisneros, it is really refreshing to have a chance to listen to you share with us your vision of this agency, particularly in light of the fact that your background suggests that you have a practical approach to some of these profound policy issues that confront us.

I think it is very important that we have someone in this critical agency focusing in as much on results as on the regulations.

I want to kind of pick up the ball I think where the Chairman was and talk about what has happened to your Agency, just briefly, before I ask specific questions. And I have some very specific questions.

This is an Agency that has been cut 82 percent in real terms over the last several years. The Assisted Housing Program went from \$26 billion to \$8 billion in the course of a 10-year period. That is a significant cut for a program that was demonstrated to provide real assistance to people in terms of finding housing.

Similarly, the Community Development Block Grant Program, which was very important particularly for cities—and as a mayor I know you were very familiar with the importance of CDBG—was cut in half a billion dollars.

The Urban Development Action Grants went from \$3.7 billion to \$3.2 billion. The Urban Development Action Grants which also provided the kind of linkage activity between housing and other community initiatives, was zeroed out from \$675 million to no dollars.

The absence of this funding in these critical areas I think really is reflected in the explosion of homelessness in our cities, in the abandonment of housing, and in the inability of our housing authorities to keep pace with repairs and modernization and with the general bottoming out of the housing industry.

And as everyone on this committee I am certain is aware, housing is so critical to the health of our economy it is a lynchpin industry, if you will, for our economy. As the housing market goes, so goes America, many would say.

I say that from the perspective of being someone in this room—I have been this morning alone in having my State talked about in two different regards. On the one hand, as the State that can claim the South Shores Bank Community Development Model—in fact, I like to think that I grew up with some of the people that put that together; South Shore is the neighborhood I come from, and that was my District in the State Legislature. So I am very proud of the model of the Community Development Bank that South Shore has given our country.

On the other hand, my city, Chicago, also is the site of Cabrini Green and Robert Taylor, and some of the horror stories that we hear about when we talk about what has happened to public housing.

So I live with this issue, and am delighted to welcome you in this area because I feel very comfortable that you will really be able to hit the ground running in addressing these problems.

I do have a couple of specific questions, Mr. Cisneros, one really specific, almost to the point I will not ask it at this hearing, having to do with two projects in Chicago: The Germano Millgate and Regent's Park that have been kind of boxed up with bureaucratic red tape. I would like you to personally take a look at those.

Secretary-Designee CISNEROS. I will do that. I had Regent's Park on my list of things to look at right away.

Senator MOSELEY-BRAUN. Excellent.

I also have a couple of questions about program areas that really were models.

One of the questions is on section 8 Housing and the Voucher Program that really has been applauded all over the State, all over my State, as a program that gave people an opportunity to go into the private sector and obtain housing, and that it was working.

I guess a concern has been raised about where the vouchers really are, and whether or not there has been a review of the efficacy of that program and whether or not it is still meeting its stated goals. I wanted to ask what your views are, and your intentions about section 8.

Secretary-Designee CISNEROS. I have indicated here today my admiration for the section 8 program. While I admire it, I also understand that things have to be reviewed from time to time. I am told there are aspects of this program that merit review.

For example, the current method of calculating voucher levels may actually drive up costs in some markets. In some other areas, may possibly inhibit tenant mobility as people are not able to move freely across the metropolitan area. So those merit review of whether the calculation of how much is allowable in section 8 is correct.

Furthermore, there are improvements on the section 8 model in the so-called "Moving To Opportunities Program," which is a direct result of the Supreme Court decision in the Chicago case. So it merits review to fix and improve. But I think the concept is very valid, and I expect to only try to improve it.

Senator MOSELEY-BRAUN. Great.

A second issue that has been raised in previous questions had to do with the modernization of existing units, or alternatively I guess Senator Mack raised the issue, or someone, about demolition of the units that are no longer habitable, or were vacant.

You responded—I appreciate your response—by saying we are going to see what the best possible use of the facilities that we have are. You said not to demolish that would only diminish.

But we need to enhance the availability of housing, and I certainly concur with that. I guess my question becomes, then: As you reinvigorate or get the money out of the pipeline for construction, for rehabilitation—

Secretary-Designee CISNEROS. This is the public housing units?

Senator MOSELEY-BRAUN. For public housing units. What plans have you to assure that women and minority contractors are included in the construction and contractual activity takes place once this avenue opens up again?

Secretary-Designee CISNEROS. That is a very important point.

I have had some experience in recent years first as a Mayor, and then as Chairman of something called the San Antonio Dome Stadium Advisory Council.

We are building a Domed Stadium, a 65,000-seat facility near downtown San Antonio on which we were able to break records within the community for the number of persons, women and minority contracting, on that project, as well as small business and local. So I understand those concepts well, and I know there are ways to do this. I am going to make sure that HUD is squarely in support of maximum opportunity for women-owned minority businesses in its contracting procedures.

Going back to the modernization and rehab point that you made, I understand that there are some \$6 billion in the modernization pipeline, and that some of those funds also are held out by regulatory problems. So it may be possible, working in the regulatory environment, to really move some modernization money through.

As I mentioned in answer to the Chairman's question at the outset about the economic stimulus of what could be in it, housing modernization funds is in my view one of those things where funds could be used to make a difference very quickly.

Senator MOSELEY-BRAUN. And it will help stimulate our economy very quickly, too, which is so critically important.

Mr. Chairman.

The CHAIRMAN. We have got to move on now, but we will have another round.

Senator MOSELEY-BRAUN. Thank you, sir.

The CHAIRMAN. Thank you. I appreciate your understanding.

Senator Bennett?

OPENING STATEMENT OF SENATOR ROBERT F. BENNETT

Senator BENNETT. Thank you.

I am delighted, Mr. Secretary, with the comments that you make in your opening statement where you say "we must replace a 'gotcha' mentality driven by regulations" with a problem-solving spirit.

I have a copy of an article that appeared in the Wall Street Journal last year relating to SRO's—that is, single-room occupancy units. Government regulations—and this includes State and local regulations, not just Federal—have seen the reduction of SRO's.

The numbers in the article indicate some 896,000 units in the United States renting for less than \$200 a month were lost to demolition or conversion into co-ops.

One of the interesting things that is pointed out in the article—and I will give you a copy of it—is that these can be built by private funds and maintained by private landlords, and rent for about \$200 a month without Government subsidy if they just got Government regulatory relief.

Now obviously to see a reduction of 896,000 housing units at the very lowest end is a clear contributor to homelessness. In New York City alone, we have seen 80,000 of these units eliminated. There is an opportunity for the private sector to come in, not with tax incentives, but simply responding to the market.

There is a clear market there. If you can build houses that rent at that level, you can rent them if we can get the regulatory burden lifted.

So the first thing I would do, as a comment rather than a question, is simply give you this article and ask that you pay close attention to what the Federal Government can do to encourage SRO's and private investment in that area as a major contributor to relieving homelessness.

My other question, very simply: From your comments about the need for talent in the Department, the need to solve some of the tremendous managerial problems that you are inheriting, is how are you coming? Do you have a Deputy Secretary? Do you have an Assistant Secretary? Do you have administrators? How is the sub-cabinet level search going in your Department, and what can we expect to see in this committee in the way of confirmation hearings for those kinds of folks?

Secretary-Designee CISNEROS. Let me speak to your first issue of regulation.

Clearly it is incumbent on all of us to remove that kind of regulation that speaks to red tape and bureaucracy and things that simply create bottlenecks and slow-downs in the moving of funds. We want to put a lot of pressure to remove those kinds of things and really build some tension in the system.

But often when people talk about things that drive up costs, they are referring to things that involve safety, such as asbestos questions, or lead paint questions, or other environmental issues. So as in every other aspect of this business there is a tension.

Clearly we want to remove those aspects of unnecessary red tape and bureaucracy and so forth, but there are others that have come to be regulations because there is a good reason for them.

Senator BENNETT. If I can just quote your own words back to you, as you talked about your experience with the banks: You are measuring process, and effort, and not results. You say that is what makes the problem.

Can we take that same attitude toward housing and, instead of the major input being on process and effort, have the major focus be on results? I think we can resolve these kinds of tensions that you are talking about.

Secretary-Designee CISNEROS. Good point, Senator.

The second point was about selections of personnel. I am in the process now of meeting with people and trying to get to know the talent that exists in the country.

I say that presumptuously because I have obviously not been confirmed, but if I were to wait until confirmation then we probably would not have a Government.

Senator BENNETT. I think you can safely assume your confirmation.

Secretary-Designee CISNEROS. Thank you, sir. I have been very pleased with the way this process has worked.

The personnel transition operation in the Clinton-Gore transition headed by Governor Riley has done a simply superb job of scouring the country for the best people for each area.

In my case, they have given me 10 or 12 names which I had in some instances suggested additional people to go on those lists, the

best talent they could identify for Assistant Secretary for Housing, FHA Commissioner, Assistant Secretary for Public Housing, and Indian Housing, Assistant Secretary for Community Development and Planning, for Administration, for IG, for Deputy, and so forth.

They have talked to probably 50 organizations, Washington-based and across the country, to come up with those lists. I must tell you I am thoroughly impressed with the quality of people that are on those short lists of 10 or 12 persons.

I am also impressed with the fact that there are so many people who want to serve—so many really good people who want to serve, even at substantial sacrifice financially, and so forth. So that everyone whom I have asked off of those lists to talk to has been willing to come in and visit.

In some instance I have made indications of who my first choice is, or first, second, and third choice off of those lists, and now the process is one that is a matter of negotiation with Little Rock.

Hopefully we will be moving forward in the next week to 10 days and have people that can be brought to you in short order for confirmation.

Senator BENNETT. Thank you.

The CHAIRMAN. Are you satisfied with that answer?

Senator BENNETT. Yes.

The CHAIRMAN. Very good.

Senator Dodd?

Senator DODD. Thank you, Mr. Chairman.

Let me apologize, but Governor Riley is two floors below you here in a confirmation hearing, so I am shuttling back and forth between the Labor Committee and here.

I think you have covered an awful lot of ground here this morning, but there is one issue that I am not sure you have covered.

My home State of Connecticut has the reputation of being an affluent State, and we are on a per capita income basis one of the most affluent States in the Nation.

Yet most people are probably not aware that Hartford, New Haven, and Bridgeport are three of the poorest cities in America with staggering problems with young people in poverty, and economic problems. But because these cities are not large—they have populations of less than 150,000—we have trouble qualifying for grants. These cities are not large enough to fall into the category of Detroit, Baltimore, New York, or Chicago, yet they are not small enough in some ways.

There is a notion that the problems you have addressed here this morning are sort of relegated to our larger urban areas, and Lord knows they do exist in New York, Detroit, San Francisco, and Los Angeles. But they also are growing, staggeringly so in the smaller cities.

I mentioned three of my larger ones. I could also talk about Danbury, Waterbury, Norwich, and New London. These cities are also feeling real pressures of inadequate housing, of gangs, of lack of employment. In fact, it is more stark in some ways in these communities.

I wonder if you might just spend a minute and share some of your thoughts concerning ways to help smaller cities.

Secretary-Designee CISNEROS. I want my response to take several forms.

The first is that I fully appreciate the problems of communities like Hartford and New Haven, both of which I have had the opportunity to visit.

Hartford, where Terry Perry is the Mayor, has a 92 percent school-age population that is Hispanic and African-American in the central city of Hartford. Though as the insurance capital of the country, people don't think of the central city problems of Hartford as they really are.

And New Haven, the home of Yale University, yet immediately and adjacent around the Yale Campus are urban problems as serious as any that confront any city in the United States.

It is essential that the Department be thought of as a Department that deals with communities of all sizes. It is the only department in the Federal Government that has as its mandate physical place. Every other department has responsibilities for education, labor, but HUD is the one that has been charged with the physical places that are urban America.

That is not only neighborhoods in the South Bronx, but it is New Haven, and Akron, and Toledo, and Springfield, Illinois, and Bakersfield, California, and a lot of other places across the country of that size range.

I can simply assure you that, as we think about programs, whether it be Enterprise Zones or Community Development Banks, and look at where these should be done, that won't be all in the big cities. It will have to be a spread of places so that we can make sure that they work in different kinds of places.

In some instances, one could argue they might even actually work better in some cases in smaller communities where you can get your hands around the problem, a bite-sized cut at the problem. But I am well aware of it, attentive to it, and we just have to make sure that formulas that are written for every kind of program that we can write formulas for, that we take that into account. And, that every kind of selection we make for demonstration grants and so forth takes the smaller communities into account.

Like Senator Domenici and Senator Faircloth, for example, I come from a State that is frequently left out in formula calculations. El Paso is not thought of as a place with big city problems, but it has them.

I note that, for example, sometime this summer the CDBG formula is going to come up, and it is going to be very controversial once again to look at how that formula relates to communities of all sizes. But I pledge to you a commitment to look fairly and even handedly at all kinds of communities across the country.

Senator DODD. Just a last point.

We had the pleasure of having Bob Reich before us the other day. I mentioned Dick Riley is down before the Labor Committee now. Each of you have talked about the importance of working together. These problems cannot be seen as a "Labor" problem, a "HUD" problem, an "Education" problem; it is a seamless garment in a sense. I wonder if you might just share with us in a practical way how you are going to integrate your activities?

It has been said, and I accept the sincerity of the statements, and I am convinced that President-Elect Clinton feels deeply about this, but I wonder if you might take us a step or two further at least on some of your own ideas on how that would work.

Secretary-Designee CISNEROS. First, I think it is a very good sign that one of the factors in President-Elect Clinton's selection of the group was for its compatibility, the personalities and experiences of the individuals to be able to work together. I think that is very important.

My early experience, I must tell you, in working with Governor Riley, in working with Bob Reich on the personnel issues, and in Governor Riley's case on some discussions about the economic package in Bob Reich's case indicates to me the compatibility will be there. I think that is very important.

Second, I talked with Governor Clinton about the precise question you raised. I think he believes that the domestic grouping of departments which will be parallel to the National Security grouping and the Economic grouping must function, and that we must work together.

I think he also believes that there will be ad hoc groupings for particular things that will include people from the economic grouping, with the Cabinet leaders from the cities, or education on particular kinds of initiatives, and he indicated that to me.

Finally, I think it is very important to use physical place as the discipline. I used that concept earlier in my response to you, and I use that advisedly. To use physical place as the discipline to make sure that things are really coming together where people live.

In other words, it is not good enough just to say, well, we encourage them to work together because the Cabinet officers have met. It really doesn't work that way in the real world.

It is going to take defining a neighborhood in Hartford, and then seeing whether at the local level Education, Labor, HUD, HHS, Transportation, really do come together. I think that may be the beauty of the Enterprise Zone concept and others that we can formulate to bring the focus in physical places.

Senator DODD. Thank you, very much.

Senator SARBAKES. [Presiding] Senator Domenici.

OPENING STATEMENT OF SENATOR PETE V. DOMENICI

Senator DOMENICI. Thank you very much, Mr. Chairman.

First let me say, Henry, I was a bit late and I apologize for that. I have had the privilege not only of working with you a number of times, including the Kissinger Commission where we had a lot of good times together, and some very tough thinking. That is where I first got to meet you.

Prior to that, obviously I knew about your work because I was involved in city government with Model Cities, with Urban Renewal, and a whole host of things that have excited you over the years.

Secretary-Designee CISNEROS. And the Mayor of Albuquerque, as I recall.

Senator DOMENICI. Correct.

But what I really want to say today as an opening remark is, I don't believe that in my years in the Senate that I have seen an

opening statement and responses to questions that to me impressed me more with reference to your qualifications and your understanding and knowledge of the issues, and your sensitivity that there are no easy solutions.

I very much hope that all those wonderful ideas, and the balance you bring here today will be available to you for your term in that office, because it will bring success.

Secretary-Designee CISNEROS. Thank you, sir.

Senator DOMENICI. Having said that, I just want to put in the record, because I don't believe that you or anyone starting with this problem should harken back too much in the last 8 or 10 years about what kind of funding we had. Frankly, things are changing so rapidly in terms of the kinds of problems we have in the inner city, principally, that I am not sure it is very relevant. I am just going to give you the numbers.

I think you would agree with me that over time the important test of the expenditure of money is how much we actually spent each year, not how much we have in this broad category of obligations.

Let me tell you that the true facts are in what we spend each year, in 1980, we spent in your Department \$4.5 billion in the housing field. In 1991, we spent \$16.4 billion. I believe that is a three-fold increase. I believe it is more than inflation, and then I believe that the families served by your Department, the Department you are going to head, went from \$3.1 million to \$4.3 million in a period of 8 years, from 1980 to 1989.

I am not sure any of that is relevant, other than it might cause you, with your balanced approach, to conclude that we had better try doing things differently and more efficiently, and with some new and better ideas, and not just expect that we are going to double the expenditure and the program will be successful.

Second, I must say that in homelessness, Mr. Cisneros, the truth of the matter is that we have enormously increased the major programs for homelessness in the past 4 years from \$603 million to \$1.2 billion, which I think is a 95 percent increase.

More importantly, in the area of services when you combine services and housing for the homeless, let me just give you a number there.

We have tried to get involved, this committee and others, in how do you put services with housing—which I believe, when I ask you in a moment, you are going to say is absolutely important for homeless people, unequivocally. It must be there for the mentally ill, the seriously mentally ill.

You cannot just put a house up. You have got to put some services in. That went from \$295 million to \$845 million in 4 years. That might not be enough, but let me tell you that it is not the Executive Branch that has been reluctant on that. Actually, the appropriators of the United States Congress under-funded those programs 2 out of the 4 years.

Having said that, I believe the problems of today in our country, the one that is most severe, is the problems that you must address: That is, what is happening to a whole generation, principally of minority young men and women in the ghettos and by-ways of the American cities large and small?

It is an insult to our great ideals and accomplishments that we are about to admit that a generation is lost. And you agree. And I really want to be part of working on success.

I want to ask you a couple of things.

In looking at your Department, has it struck you that, in addition to poor management which you continue to say we must fix, that there are some very inconsistent and almost impossible-to-manage laws that are on the books governing HUD's activities?

Secretary-Designee CISNEROS. I haven't gotten into the specificity of laws that may make the job more difficult, but I assure you—

Senator DOMENICI. You will have to look at those, will you not?

Secretary-Designee CISNEROS. Absolutely. I assure you, if there are such things that just either tie our hands in some way that makes it impossible, I will come back and say: Senator, we need some help from you on this.

Senator DOMENICI. Mr. Cisneros, I think you are going to find that applicants for various housing programs from my city or your city are crying out for help, because it takes too long to do everything.

I don't believe you are going to find that all of that is because of management. I think you are going to find some absolutely impossible inconsistencies in the law, and some regulations that make it almost impossible to streamline, and I hope you will have the confidence in yourself sufficient to bring those forthrightly to the attention of Congress. Can I ask whether you will do that or not?

Secretary DESIGNEE CISNEROS. Absolutely. Let me say two things on that score, quickly.

The first is that I served as mayor in a non-partisan system, which meant I worked with every political persuasion, interest group, and so forth. Having been sort of trained in that system, I really want to work with all of the members of this committee and the Congress on their concerns. I say that because I really do want to bring commonsensical things to your attention when they confront us.

Second, I signed on to do this job because I am truly, deeply, personally concerned about the future of our country.

I know that you walk the streets of the cities in your States, and some of you have cities in States that are more troubled than others, but I am truly concerned.

I am an optimistic person, and I wake up every morning optimistic, and that optimism sort of buoys me forward. But I am truly and deeply concerned. Therefore, following convention and being quiet on something that is troublesome and causing a problem just isn't in the cards. It will not be the way we operate. I will come to you and say: Senators there may be a reason why this is here, and there may be interest groups that require it to be so, but I am telling you it is a problem for what we are trying to do. I will be honest in bringing that assessment to you.

Senator DOMENICI. Mr. Chairman, I cannot return because I have another confirmation, and this will be my last effort. Could I ask one last question?

The CHAIRMAN. Yes. I hope we can keep the question and answer brief, because we still have other members who have not had a chance to participate, yet. Go ahead.

Senator DOMENICI. First, Mr. Cisneros, I also have a series of questions on discrimination and FHA's ineffectiveness for serving low-income people. They are not getting any housing out of FHA. There is something very badly wrong.

I had a question about my State and why we have no adequate field office for HUD, which I have talked to you about. I will submit those in writing.

Mr. Cisneros, it seems to me that the President of the United States is talking about such things as setting up a new economic council headed by Mr. Rubin that is going to make sure everything economic is focused on growth and taxes.

I am of the impression that HUD, with total coordination with the Department of Education of the United States, the Department of Labor of the United States, the Department of Health and Human Services in its totality, that you cannot do your job.

The job is not one of housing in the ghettos of America, the criminality on the street, the inordinate number of teenage pregnancies, the drugs, the violence, that is not all attributable to housing.

Is there a possibility that you might be coordinating this effort, or at least that something can be set up where we don't take these pieces individually up here, but we take them with reference to the problems you are trying to address?

Secretary-Designee CISNEROS. Senator, let me answer yours, as well as the point Senator Riegle made along these lines in his opening comments.

I do not know about the structure. I think it is too early in the game for that. Or, who leads, or chairs, or whatever. But I do know that Governor Clinton understands the importance of integration of these efforts, and has spoken about the use of the domestic group of departments in that way, and has spoken about ad hoc groupings of departments to pursue particular initiatives.

For example, it means the banking initiative, the Community Development Bank initiative that would require at least HUD and Treasury, and probably others. Enterprise Zones requires at least HUD, and Treasury, and probably others. Certainly with the Enhanced Enterprise Zones I think you are going to see a lot of that kind of coordination.

I do not know that it will be as formal as the National Security apparatus has been, but I think you will see some important new work in that area.

Senator DOMENICI. Is it important?

Secretary-Designee CISNEROS. It is critically important.

Senator DOMENICI. Mr. Chairman, I think from my own observation of how things go, I believe the Secretary of HUD ought to be in charge of that. I hope that you on your side would encourage the President-Elect to put soon-to-be Secretary of HUD in charge of co-ordinating that so we do not have a tax bill coming up here that affects cities without it having gone through somebody that looks at its effect on the urban problems, or an education bill that attempts to put public service into the ghetto that is coordinated in some way.

The CHAIRMAN. Let me just say, Senator Domenici, that I agree with you on that issue.

Early in the hearing, I think perhaps when you were out of the room, I made the point that I think there does need to be a structural center within the administration that ties this all together and deals with the overlap and conflict and what have you. I think this Secretary of HUD is the appropriate person to run that. I am going to send a letter to the administration making that suggestion. I have asked you if you will sign it, and you have said you would.

Senator DOMENICI. Absolutely.

The CHAIRMAN. So we will send a letter, and I would hope others as well would sign it to see to it that we actually collect, in a forceful way, the capacity to really move this agenda.

Secretary-Designee CISNEROS. Senator, we have a saying in Spanish that says "No me ayudes tanto, amigo." It means, "Don't help me so much."

[Laughter.]

The CHAIRMAN. Better we help you now, than later.

[Laughter.]

Senator Kerry?

OPENING STATEMENT OF SENATOR JOHN F. KERRY

Senator KERRY. Thank you very much, Mr. Chairman.

Mr. Mayor, I welcome you here. I was here earlier, but there was such an array of distinguished introducers, I wasn't sure when we would actually get to talk to you.

I have been listening on the television set back in my office, and I have heard some of the questions and some of your responses, so I will try not to repeat all of those areas, although there are a couple of them that I want to touch on a little bit more, if I may.

My first question to you is: With respect to the crisis in American cities which you alluded to in your opening comments, and the time ticking for the country, we had a lot of high-sounding speeches there, and sort of a crisis response there in Washington when Los Angeles exploded last year.

There are many observers of the American city who are convinced that we really haven't done very much about that, and that we are not necessarily far off from that capacity for explosion at any moment in the near future. You had mentioned this sense of urgency, and I would like to ask you: You were a member of the Los Angeles Task Force. Most assumptions are that the response was meager, inadequate, that it was a failure.

I would like to know from your vantage point both as a member of the Task Force and now as you embark on the HUD responsibilities, what steps of urgency will you take and do you want to implement right off the bat to make certain that the American cities understand they are not abandoned, and to try to effectuate a more responsible measure of response from the Government before the crisis rather than after?

Secretary-Designee CISNEROS. Senator, let me say this. I said on that occasion, and I still believe, that given the right set of circumstances what occurred in Los Angeles can happen in any number of American cities. It happened in Los Angeles on that occasion. Particular events stimulated it there. But we have come very close in Miami, and we came close in Atlanta during the course of

the Los Angeles events. There have been incidents in Chicago, and many other places across this country showing that this can occur.

It can also occur in a different way. It always doesn't take the white hot intensity of the Los Angeles instance, but there are slow, nightly drive-by shootings with youth being lost to drugs and gangs. So it is a withering away process that maybe doesn't ever reach the newspapers in the same way Los Angeles did, but it is equally unacceptable.

What should we do with respect to these questions?

What I can do at HUD, the first thing we must do, and it sounds really simplistic perhaps, is to try to reclaim for the Department a voice as a voice for America's communities and cities. That means to articulate, along with the mayors and public officials across the country, a sense of urgency about this. It means being an advocate.

Senator KERRY. Let's assume you do that, and let us assume that we accept the urgency. What are you going to urgently use your voice to do?

Secretary-Designee CISNEROS. It means being an advocate both within the administration and in the country for the kinds of things we have been talking about here today, recognizing that the home program is more than just titles in a law.

It is \$2.5 billion that ought to be building homes for people right now. But, because of regulatory gridlock, \$2.5 billion is held up at the Office of Management and Budget.

It means focusing on \$6 billion that is in the pipeline for modernization for public housing that ought to be actually creating jobs and fixing public housing right now. But, for regulatory reasons, it is not through the system. I can cite instance after instance.

It means working with the new housing commissioner, the FHA Commissioner, to make FHA once again an enabler of credit for housing and communities.

It means working with Jim Johnson at Fannie Mae, sitting down and talking about how to make the affordable housing goals there achievable with the imprimatur and pressure of the 1992 act to do it, all of these things are concrete things that can be done.

Senator KERRY. Senator Sarbanes appropriately asked you a question earlier on money in the pipeline, and you have now re-identified his question on money in the pipeline. I'm thinking beyond that. CRS has estimated that \$1 billion in rehab expenditures creates about 18,000 jobs.

I believe HUD's own estimate is that \$1 billion in CDBG creates some 21,000 jobs. We put \$4 billion into that last year. It's been cut, as you know, better than anybody. Is \$4 billion enough?

Are you going to ask for more money for a CDBG, and should we be expending more in what most analysts say is the single-most quick job-producing effort that Government can engage in?

Secretary-Designee CISNEROS. Senator, earlier I spoke to the arguments I have already made within the councils of the transition organization and economic team for this kind of funding in an economic stimulus package.

The questions you are now raising speak to the role that I must play in articulating needs in the fiscal year 1994 budget process. One of the first things I have to do is look at the gap between needs and fiscal year 1993 levels, and money in the pipeline to de-

termine what the shape of the request for fiscal year 1994 should be.

I assure that I will ask for sums that begin to approach what can be done and what is needed. I can't speak to specific numbers here today. But I do believe it's important to press, if you will, as an advocate for people in need on these matters.

It's also important, as we have spoken over the course of this hearing, to identify ways that we can multiply our money with Fannie Mae, with risk sharing, with State housing finance agencies, such as the one in Massachusetts, which is so well respected across the country and could do a good job. So all of these things I think go beyond what we can ask for in the budget, but will help achieve the objective.

The CHAIRMAN. Senator Kerry, let me just say, we've got one other member that has not yet questioned, so I want to be mindful of the time, and not cut you off, too, if you want to do a follow-up here, but I am sensitive to that issue.

Senator KERRY. Mr. Chairman, it's not really a follow-up, it's a separate question, so I didn't realize the time had run out. I apologize.

The CHAIRMAN. We're going to start on a second round here shortly. Is there something brief that you can ask and get a quick answer, so that you're not—

Senator KERRY. Let me just ask you very quickly, if I can, and I appreciate the indulgence of the Chair.

Flood insurance is an issue that I've been deeply concerned about. We talked about it very briefly during our very brief discussion. I'd just like to ask you very quickly. Originally, HUD played a very significant role, and it was transferred over to FEMA. FEMA is an agency that many people here have been increasingly losing confidence in.

Is it your view, particularly given the fact that in the federally backed mortgage program, only 18 percent of the mortgages issued are actually current with respect to flood insurance, do you view yourself playing a role, particularly in the wake of the tough storms we've had in the past year and the predictions of increasing damage? Because the taxpayer is significantly exposed, as it currently stands.

I wonder if you'd just express your views on that quickly?

Secretary-Designee CISNEROS. Senator, I will work on that. I can't give you an explicit answer now on what initiatives I might undertake. But let me take it under advisement, take your point. And I assure you that I will work on it and converse with you as soon after as I may.

Senator KERRY. I appreciate that. I will just remark, for the record, that you really do come here with just a terrific background of experience in public service, as a mayor, a counselor, and president of the league and so forth.

While the now senior Senator from Texas was so elated at your Lone Star connections, I just want to say that we're glad you spent some time at the Kennedy School at MIT. It may temper you.

[Laughter.]

Secretary-Designee CISNEROS. Thanks, Senator.

The CHAIRMAN. Senator Murray, let me say you've been very patient this morning. It's hard to be the last one in the line of march on a long morning, when it takes the time that it necessarily does.

But let me say, again, I'm delighted that you're joining the committee as well. We'd like to have you offer your questions now.

OPENING STATEMENT OF SENATOR PATTY MURRAY

Senator MURRAY. Thank you, Mr. Chairman.

In the interest of time, I will ask just one question, but I will assure you that it is a most important question.

Mr. Cisneros, I agree with Senator Boxer that we have to put a face on the homeless. She started to do that. Another part of it is our children. The U.S. Conference of Mayors Survey of 27 large cities found that over one-third of the homeless are families with children.

We know that one out of five American children live in poverty today. In fact, children under the age of 18 are the fastest growing group among the homeless population. You and I both know this affects our education system, our job market, and certainly our country's future. As HUD Secretary, what actions can you take or will you take to respond to this particular population?

Secretary-Designee CISNEROS. I realize people are not homeless because of choice. And when a family, often single head of household, a mother with children, finds herself seeking shelter, it's because other elements of the system have not worked for that family.

So it is critically important to link homeless initiatives housing with other social services. I will look at the range of social services programs that exist and housing programs that exist, to make the match, so that we can provide jobs where necessary, provide training where necessary, provide health care where necessary, but try to recreate the setting in which a person can have a physical place and become self-sufficient.

Once again, it's critical that we take the multiple programs and the multiple approach to homeless programs and deal with special populations. And certainly children and families are one of those special populations.

Senator MURRAY. Thank you.

The CHAIRMAN. Let me just follow along in that same vein. I appreciate the fact that you've raised the issue of homeless children, as Senator Boxer earlier did of homeless veterans.

If you look across the country, you look across virtually every community, not just the big urban centers, but you go into the rural areas. The problem of homeless families is that the numbers are growing faster than we can keep track of them.

And if you go into homeless shelters, as I've done in Detroit, you'll see families, you'll see parents together with small children, you'll see babes in arms literally, and families that may be 6 months ago, a year ago, were employed, had houses, lost everything because of the weak economy and so forth. I think it's a desperate problem.

There was a photo story I saw in a magazine the other day of a transient family living out of their car, an old beat up car. They finally got into a situation where they got into a public overnight

shelter where they actually were able to have a bathroom available. And the photographer took the picture of two of these young children having a shower which they had not had an opportunity to have in who knows how long.

But you think of that happening in America and you think about it happening in 1992, and all of us in this room, who are well-dressed and well-fed, and well-housed, and our children, we wonder what's going on in the country that we can't meet an urgent need of this size, which is growing every single day.

The shelters in my State are bursting at the seams. They don't have the money, they don't have the food, they don't have the space. And the numbers of people needing these services are increasing.

You go out in this city today, you can go out under any bridge in this city, and you'll find homeless people who have taken up residence to try to get out of the wind and rain, many of them veterans. We didn't have this condition on this scale 10 years ago, 15 years ago, 20 years ago. This is a problem that's developing right before our eyes, and it's not getting better, it's getting worse. It's getting worse every single day.

We've got more and more people who are forced out into that situation and increasingly family situations, so that you have the sight of not just vagabond adult men, which is what we grew up with years ago, whether it was in the Bowery of New York or other places, but we're now talking about people all across the society. So there is a great and urgent need here.

And I want to say that I am very profoundly moved by your commitment to take this job. This is not a job you had to take. It interrupts your personal life in many ways, the professional life you've been developing.

I appreciate the fact that your wife, Mary Alice, has agreed to do this with you.

You've come out of an experience as a mayor. My father was the Mayor of the City of Flint. My mother was the First Lady of the City of Flint. I understand something about growing up in a household where front door politics is where you learn the basics of public service.

I would say, in addition, that expectations have been raised in this campaign in the hearts and in the emotions of people who have had really no hope for some time.

I've seen it in campaign rallies in my home State where people came out and they sensed a new chance maybe for something to happen in the country that could touch them, and open up opportunities for them and their children that they have not seen in years and years.

I am very much concerned that if we don't meet and fulfill these expectations, that we're going to have not only a continuation of the same problems, I think the problems will get worse, I think they will get far worse. I don't think you can raise expectations and then fail to meet them.

I say that because I know you feel the same way, but it seems to me the burden of responding in so many of the critical areas will fall on your shoulders, and the Department which you will be head-

ing, because there's been a turning away from urban strategy and the housing and urban development area over the last many years.

Now the problems have piled up to such an extent that it's going to be very difficult to be able to respond adequately within a short period of time. Even 4 years is a short period of time.

I want to tell you this. This committee will do everything humanly possible to see to it that you have what you need to get the job done.

If you call me, day or night, and tell me, look, we've now figured out that this is what we need. We need this change in the law, or we need this shifting in budget emphasis, or what-have-you, you have my commitment that I will move Heaven and Earth to try to get that done here, in this committee and in the Senate and in the Congress, because we don't have a minute to lose, we don't have another life to lose.

I couldn't feel more strongly about it. And I want to say to you that I will vote for your confirmation in the committee and on the Floor with great enthusiasm, because you give me a sense of hopefulness in this area that I have not had for some time. And I'm very encouraged by that.

Secretary-Designee CISNEROS. Senator, thank you very much. Let me just say in gratitude that I have no illusions about how tough this is.

I asked Bill Clinton to do this job when we talked about any role that I might play in his administration.

I have watched, over the years, the difficulties in the Department, managerially, and I know the problems in America's cities. So I had no illusions going in. I don't know how successful I will be able to be, because in some sense, it's a mine field rigged to blow off your legs.

But I will get up every morning and do the very very best job I can, because I think our country is in trouble. I've said that before today. I don't want to over stress the point. But I just will assure you that I will bring the maximum energy and focus that I can.

Having severed relationships with non-profit organizations, business relationships and so forth, I have only two commitments in my life. One of them is this Department, the other one is my family. That gives me the focus to just get up and just do this job as best I can every single day. I promise you I will do that.

The CHAIRMAN. I know you will.

Senator D'Amato?

Senator D'AMATO. Let me say that I can tell you, Henry, that mine was a sense of excitement, after we had our first meeting, with your views in terms of bringing together the coordinated efforts of Government to deal with the housing problems which heretofore have almost been left on their own, isolated, and there was no chance of success.

I see that the feeling that I had is one that is contagious, that all of the members of the committee, Democrats and Republicans, share that same feeling. I view this as a great time of hopefulness for our communities, so that we can make safe havens and oases in areas today that are dangerous. What a wonderful turnaround that would be.

What a significant contribution to this country you can make. I look forward to working with you with the other members of this committee to make this dream a reality.

Secretary-Designee CISNEROS. Thank you.

The CHAIRMAN. Senator Sarbanes?

Senator SARBANES. Thank you, Mr. Chairman.

I have no further questions, but I do want to make just a couple of observations.

First of all, I think the hearing this morning has once again set out, in some fairly stark terms, the magnitude of the challenge which you will be confronting, both to get a handle on the Department, and in terms of its administration and its financial and accounting systems, and its ability to really carry out the programs, and also, of course, to substantively deliver with respect to the housing and urban needs of our country.

I came to the hearing this morning, thinking you were pretty good. I must say, you are terrific. You really did an outstanding job. I thought your answers to the questions were perceptive, thoughtful, responsive. They obviously reflect the fact that you've dealt with these issues over your career, and have thought about them, and thought about them very deeply, and I think understand them.

Second, I was greatly encouraged by the balanced approach you took in responding to questions. There's obviously no rigidity, no highly ideological agenda. You've worked at the grassroots. You have that viewpoint on things. You are prepared obviously to be pragmatic and practical. You want to solve the problems, as do we all. And we're greatly encouraged to have you there.

We look forward to your service. And I don't think it's assuming, in any sort of unrealistic way to say, Mr. Secretary we look forward to your coming back before this committee.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Boxer?

Senator BOXER. Mr. Chairman, I have one last question and a comment or two.

Let me add my voice to Senator Sarbanes' and the other members of this committee who have praised you. I'm very honored to be supporting your nomination.

Mr. Secretary-Designate, you were very moved by the Los Angeles crisis. And when we talked before this hearing, you raised the events in Los Angeles and I was very pleased that you did. We decided together that when we had something to tell the people, that we would go back there together.

I want to thank you for that kind of hands-on approach to rebuilding our cities, both large and small. Your personal leadership will mean a lot to our people, and I think that Congressman Serrano of course made those comments very clear to you.

You have a very large responsibility and I think some of us, of the feminine gender—breaking some new ground ourselves—understand that responsibility. And we want to help you succeed, all of us do.

I want to praise your plan to better coordinate housing policy. It is critical that the public sector—at all levels of Government—work with the private and non-profit sectors in creating initiatives and

incentives which further our housing policy. I want to commend the many non-profits which, in my mind, have done more for housing than almost anyone in the last few years.

I also want to echo Senator Kerry's praise for CDBG and hope that as you look through all the housing mini-programs you would be brave enough to identify and separate the working from the dysfunctional programs. In a time of scarce resources we need to go with the programs that work.

Senator Kerry pointed out how CDBG grants can produce jobs by funding housing rehabilitation. I'm a former county supervisor—I don't know if you know that—from Northern California. And in those days, in the 1970's, as you say in a non-partisan way, we really took off with that program. It's unfortunate that we've cut these efforts in the last few years because it's a very good and effective program.

Here's my specific question. The National Housing Trust has identified 49,000 units that have been foreclosed by HUD. They are sitting there rotting—to use their words—when they might otherwise house 200,000 people or more. Do you have a sense of urgency about getting these units back on the market?

You talked to Senator Sarbanes about utilizing the non-profit sector to do this. But I want to hear from you if you intend to look at this as a tremendous opportunity, and if you would make it a priority by coming back to this committee to remove any regulatory obstacles that might presently keep these units off the market. Fifty thousand units almost that could house more than maybe 200,000 people.

Secretary-Designee CISNEROS. The answer is that there are potentials, both for multifamily housing and for single family housing, to make units available to people.

Among them, to make some of the inventory of multifamily housing available to non-profit organizations that actually have the capability to do it. We could move those to undertake more of so-called risk sharing initiatives where State housing finance agencies take a role and do things in a decentralized way across the country. These are with respect to multifamily.

In addition to that, with respect to insured single family, there is, for instance, the 10 percent admonition in the 1992 legislation for use by homeless that has not met up to expectations. We can do a better job with that.

There are also programs like HOPE III where we make money available so people can not only—as in section 8-rent that housing, but actually get on a track toward being able to own it for themselves, single family housing scattered around metropolitan areas.

All of those are ways that we can move this inventory that you're describing and make it available to people. It's a very high priority.

Senator BOXER. So your goal is to look at all the options open to you, move those units quickly, and come back to us if you have any obstacles. Because, as the Chairman said, he's going to move Heaven and Earth for you.

Secretary-Designee CISNEROS. Absolutely. Senator, in my opening remarks, I used a phrase in a sentence which may have passed, but I put it in there with forethought. And that was the words, I

hope to be held accountable. I would say to you that I hope to be held accountable on several counts.

First, I think it's important that we reverse these trends that I described earlier, these trends about the number of low rent units available, the gap between people's incomes and the cost of housing available. Those are things that it's not easy to change. But I'm saying to you, we must, as a Nation, and I must, in this capacity, if confirmed, over a 4-year period, show you that those trends have changed.

I think frankly some of them we can change over the course of the next 2 years. But certainly in the 4-year tenure, we must change those trends.

I think the only way you can hold me accountable, is to hold me to numbers. We've got to get that stock of 49,000 and we've got to get it into people's hands. And if it's still there at the end of 2 years, I have failed in this job, and you have a right to tell me I have failed.

Senator BOXER. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Moseley-Braun?

Senator MOSELEY-BRAUN. Thank you very much, Mr. Chairman.

Mr. Cisneros, we have every expectation that you're not going to fail. We are really optimistic. And I am, personally, as I think many of the other members of the committee have expressed, delighted that you are taking on this huge task.

One of the things that I'm struck with, listening to the questions, is the fact that the Chairman referred to expectations in the voting population, and that's a fact. I think the people sent us all here to end the gridlock, not only in the Congress, but to end the gridlock in terms of the directionless agencies, the kind of paralysis that's gripped so many of the agencies that were supposed to serve the public interest. This agency particularly has been caught in that paralysis.

But we know that poverty and homelessness and the lack of housing and the condition of our housing industry are not partisan issues, they are people issues. And we are going to have to cooperate and we are going to have to coordinate our efforts in order to address those concerns in a way that is calculated to produce results, and to maximize, obviously, the impact of the taxpayers' dollars.

So while we talk about deficit reduction, and it's something that obviously concerns everybody, we're not looking to just pour money no problems, at the same time, we're talking about maximizing the impact of those dollars.

Part and parcel of maximizing the impact of taxpayer dollars is to restore our housing stock and to revitalize our cities, because our cities are not islands. Our cities cannot just be cast off and be expected to survive on their own. And the problems of homelessness, the problems of poverty go to our large cities, as well as our small cities, go to centers all over this country.

So I am looking forward to working with you and with the Chairman and with this committee on behalf of identifying those program areas that are functioning well, and helping them to work better, in terms of identifying those program areas that aren't func-

tioning at all and helping to get rid of them, and in identifying those programs that maybe need to be resurrected, like CDBG, like some of the other program areas that Senator Boxer has referenced.

And so I think that we, if anything, are initiating today, a working relationship in which we are all a part, and in which we all participate. We will help in any way to make your job—and it's going to be a tough job any way you look at it—but certainly to the extent that any of us can be of assistance, either as legislators or frankly, even with regard to our own experience—and I think that was one of the reasons I mentioned Illinois, because we've got a little bit of it all there. But to the extent that we can be helpful, we would like to do that, and I am delighted with your nomination, and I fully intend to do everything I can to support it.

Secretary-Designee CISNEROS. Thank you, Senator. I want to comment on just one aspect of the Senator's comment. That is characterizing today as the beginning of a working relationship.

I view this confirmation process obviously for the seriousness that is entailed in confirmation, but also to try to engage your attention on some of these issues, problems and challenges, because we will have to have a working relationship. I really felt that we needed to be part of understanding each other, and I appreciated your picking up on that point.

Thank you.

The CHAIRMAN. Senator Murray?

Senator MURRAY. Thank you, Mr. Chairman. I have no further questions.

Let me just also say, I look forward to supporting your nomination, and as my colleagues said, working with you for many years to come.

The CHAIRMAN. Thank you.

Let me just say, Mr. Cisneros, I am struck today by sort of the historic aspect of this hearing, in that you're at this table as a Hispanic-American breaking new ground in a critical area of our Government, which is a source of great satisfaction to me.

We have three new women members of the Senate, whom we've heard from today, that I think also change both the face and the quality of the Senate much for the better. And I'm delighted about that as well.

We have another new member of this committee, a Native American, Ben Nighthorse Campbell from Colorado, who was detained in Colorado today, and could not be present for this hearing, but who will be a member of this committee in the future. And I think, when the country voted to express itself in some new ways, probably this hearing today and those elements that I've just mentioned and others probably illustrates the breakthrough and the change as much as anything that might be seen in any one setting. I think it starts to unlock the promise of this country in a new way.

We've got very difficult and demanding problems here in front of us. You've been very realistic, I think, and frank in assessing those today. But as you've made clear, you intend to throw might and mane against those problems. I have great confidence that in your doing so, in giving the leadership, and with the help we, here on

this committee can provide, and we all will provide it, we're going to be, in some respects, your down field blockers when you need us.

There are times when we may be pushing in areas that we think have to be accelerated, but we're going to work together. And I think you'll find, in the relationship that Senator D'Amato and I will have, as we've had over the years, in being able to work together, that we're going to push as hard as we possibly can, so that those trend lines, as you say, certainly at the end of 4 years, but sooner than that in most of those areas, will show the kind of improvement that the country expects and needs.

I will just say, again, I am going to be drafting today, and sending a letter to the administration, which I'm going to circulate to the membership of this committee, Senator D'Amato has indicated he'll sign it, as Senator Domenici did, my democratic colleagues indicating that we think there needs to be this centralized effort on urban policy. And we're going to recommend that you be the person to properly head that up. Having said that, I don't know if there's any further comment that anyone wishes to make?

If you have any final comments?

Secretary-Designee CISNEROS. Other than just to say, thank you for the opportunity to share these thoughts with you. And I look forward to both collectively before the committee again, as well as individually to continue the discussion in the months ahead.

The CHAIRMAN. The committee will meet in due course, and before the inauguration of the new President, to report out your nomination so that it can be acted on by the Senate.

The committee now stands in recess.

[Whereupon, at 1:10 p.m., the committee was adjourned.]

[Prepared statements, biographical sketch of nominee and additional material supplied for the record follow:]

PREPARED STATEMENT OF SECRETARY JACK KEMP
NOMINATION OF HENRY CISNEROS

JANUARY 12, 1993

Mr. Chairman and members of the committee, thank you for the opportunity to appear before you today. The transfer of governmental power is a fundamental feature of our American democracy. It is out of respect for that tradition—and my sincere respect for this nominee—that I am honored to be here.

Mr. Chairman, four years ago I sat in this chair as President Bush's nominee as Secretary of the Department of Housing and Urban Development. I told this committee that I wanted HUD to empower low-income people with the opportunity to own a home, get a good job, or start a business—an opportunity to build a better life for their children. When I was sworn in as HUD Secretary, I said, "we all must keep our hearts, our minds, our work, and our hearts focused on those we are meant to serve . . ." I am proud that we have remained true to our objectives, Mr. Chairman.

With the cooperation of this committee, we passed the National Affordable Housing Act and began redirecting housing programs to poor families. We have provided new opportunities for low-income Americans to achieve the goals of home ownership, resident management, empowerment and economic opportunity.

I am pleased that these goals were achieved at the same time we were able to correct the serious flaws and abuses in HUD programs; to reform management practices; and return honesty, efficiency, fair play and public trust to HUD. The policy and management environment we pass on to the next Administration is fundamentally different than the one we inherited.

Mr. Chairman, it is with a sense of enormous pride that I hand over to Henry Cisneros an agency that has restored its pride and dignity, that has rededicated itself and returned to its historic mission. For the bipartisan spirit which enabled us to advance these ambitious objectives, I thank this committee.

It is a privilege to turn the reins of HUD over to a man of the stature and experience, the competence and capability, and the ideas and leadership of Henry Cisneros.

I used to joke by saying that I was born to be Secretary of HUD. Well the truth is that Henry Cisneros was born to be HUD Secretary. I have known Henry Cisneros for a long time. I know of his deep commitment to America's inner cities; I know from having served with him on the Kissinger Commission of his dedication to expanding democratic capitalism.

During six years on the city council and eight years as Mayor, he helped bring new life to San Antonio, and became a leader among his peers. He is a believer in home ownership, empowerment, and economic development. He wants to help every man, woman, and child share in the American dream; and he believes that partnerships among government, the private sector and the people are required to make a society truly full of opportunity.

Mr. Chairman, when he was nominated by the president-elect, Henry Cisneros said, "We cannot talk about the economy and not talk about our cities and towns, about the poor of all races. It breaks my heart I'm in a meeting and I hear people talk about writing off neighborhoods, or entire cities or, worst of all, a generation of our youth."

That is an eloquent statement of a view I hold deeply. The most important thing the Secretary of HUD can do is be an advocate for those who have been left behind because of poverty, unemployment, crime, drug abuse, and despair.

I hope this is not the kiss of death, but I am heartened by the incoming Administration's strong public statements in support of Enterprise Zones and programs that empower people.

I was glad to read in a USA Today article on Monday that the nominee is not wedded to the traditional ways of addressing problems, but rather says that we must see those problems look in the neighborhoods and communities. In my travels as Secretary of HUD, I have seen in America's cities an undying spirit of hope, an untapped wellspring of human potential, and an undiminished faith in the American dream. Having talked at length with the nominee, I know he has seen the same thing in his city and elsewhere; he knows that addressing successfully the problems of our cities requires innovative solutions that give people a stake in their own future and the future of their communities.

Mr. Chairman and members of the committee, thank you for the courtesies you have extended me over the past four years. When I was nominated to be HUD Secretary by President Bush, I used the words of Dr. Martin Luther King, Jr., who ac-

cepted the Nobel Prize "with an abiding faith in America and an audacious faith in the future of mankind." I am confident that I am leaving the stewardship of the Department to an energetic, and talented public servant who shares those ideals.

PREPARED STATEMENT OF SENATOR PAUL S. SARBANES

Mayor Cisneros, I join my other colleagues in welcoming you to the Banking committee this morning.

I congratulate you on your nomination to be Secretary of Housing and Urban Development and express my gratitude to the President-Elect for sending us a nominee with the qualities needed at this critical juncture for housing and urban policy.

As a former Mayor, you have first-hand knowledge of the fiscal, economic, and social challenges facing America's communities today. You have a proven track record in building strong partnerships between the public and private sector that generate jobs and economic opportunity.

As a Trustee of Jim Rouse's Enterprise Foundation, you have had the privilege of working closely with one of the great urban visionaries of our time and one of the chief architects of the new federal housing policy contained in the 1990 National Affordable Housing Act.

As a former President of the National League of Cities, you have worked with the Congress on numerous occasions to advance key elements of the housing and urban agenda.

The role of HUD Secretary will require you to draw upon all these talents—and more—because the nation's housing and urban problems are severe and complex—affecting every state, city, and community in our country.

Despite the best efforts of thousands of committed individuals, the nation's affordable housing crisis continues to worsen.

The crisis is most severe for low-income renters. Since the 1970's, there has been a substantial reduction in the number of affordable rental units in the housing stock and a sharp increase in the number of poor families. The result is a classic mismatch between supply and demand, leading to higher rents, higher rent burdens, increased overcrowding, increased evictions and increased homelessness.

Incredibly, some 5.1 million households now pay more than half of their income for rent and utilities, live in substandard housing, or both. These households generally live on the brink of homelessness, with little income left for food, clothing, health care, and other necessities.

The housing crisis has also affected the lives of millions of young, primarily middle class families who have seen the dream of home ownership grow ever more elusive as incomes have failed to keep pace with housing costs. Between 1970 and 1990, the average purchase price for a starter home rose 21 percent in real terms while the average income among potential first-time home buyers declined 7 percent in real terms. Despite depressed home purchase prices in some markets and low interest rates, the gap between income and price remains difficult to bridge.

The housing crisis, of course, is only one component of larger urban trends including: the persistent loss of low-skilled manufacturing and other jobs; inadequate investment by financial institutions; the rise of the drug culture and the pervasiveness of random violence; and the mismatch between the service demands of urban residents and the declining economic and tax bases of local governments.

To add to these problems, the Department responsible for developing and implementing the federal response has not been up to the task. A few weeks ago, the General Accounting Office concluded that, even after major efforts by the outgoing Administration and Congress, "the underlying causes of HUD's longstanding management deficiencies remain largely unresolved." GAO specifically found that:

"these deficiencies include inadequate information and financial management systems, weak internal controls, an inappropriate organizational structure . . . and insufficient staff resources. . . . These problems leave HUD's multibillion dollar programs open to fraud, waste, abuse, and mismanagement."

In summary, housing and urban needs are substantial. HUD's management deficiencies are more severe and deeply rooted than generally recognized. But I firmly believe—and I know through our discussions that you do as well—that these problems—though large in scope—cannot paralyze federal action.

There are literally thousands of qualified individuals and groups throughout the nation—nonprofits, neighborhood activists, state and local governments, lenders, builders—who are willing and able to undertake quick and meaningful action.

What they need—and what has been lacking for a long-time—is federal leadership. As we have discussed, that leadership could take many forms early on in the Administration:

- Accelerated distribution of federal appropriations for programs—like public housing modernization—that have projects and activities ready to move.
- Additional federal spending for targeted community development efforts.
- Prompt and effective implementation of the HOME program.
- Permanent extension of the low-income housing tax credit and mortgage revenue bond program.
- Strong enforcement of the recently enacted GSE law—which will spur affordable housing lending, particularly in credit-starved inner cities.
- Quick implementation of the risk-sharing demonstration in the 1992 Act to enhance multifamily production and preservation.

These actions will not only help meet pressing housing needs; they will also help stimulate the economy in distressed communities by generating jobs both directly—through construction and rehabilitation activities—and indirectly—through increased demand for manufactured products.

Once short-term actions are taken, your focus and ours can shift to longer-term, comprehensive solutions which will move housing beyond the traditional realm of “bricks and mortar” solutions.

I look forward to working closely with you in your efforts to restore HUD to a state of management excellence and to carry out HUD’s missions of affordable housing and community revitalization.

PREPARED STATEMENT OF SENATOR ALFONSE M. D'AMATO

Mr. Chairman, I am pleased to join you here for the confirmation hearing of Secretary-Designate, Henry Cisneros, for the Department of Housing & Urban Development. Today, Mr. Cisneros will have the opportunity to tell this committee what the incoming Administration plans to do in addressing the housing concerns of our nation. This is the first opportunity that committee members will have to hear the specifics of these proposals. I look forward to hearing them and also sharing with Mr. Cisneros the many housing issues of concern to our committee members.

I would first like to welcome the Secretary of Housing & Urban Development, Jack Kemp, who is joining us to introduce Henry Cisneros. I believe this introduction sends a strong message for continuing the bi-partisan cooperation on housing policy that we have enjoyed here in the Senate and with Secretary Kemp.

Secretary Kemp brought innovation and insight to our dialogue on housing and inner-city issues facing this country. Thanks to Jack Kemp, we can never view problems facing our inner cities again without recognizing the need to provide individuals with opportunities to better themselves, own their own homes and have a stake in their own communities. I hope that Mr. Cisneros will continue to work toward the goals set out by Secretary Kemp. I speak both of the Secretary's HOPE program which allows residents of public housing to realize the dream of home ownership and his strident advocacy of Enterprise Zones.

I also hope that Mr. Cisneros will look to coordinate the housing needs of both our urban and rural areas with the new Administration's Enterprise Zone proposals. Last year, with the support of the Committee Chairman, legislation I introduced was enacted providing for a new program which takes a step in this direction. The program is called "EZ Home." It offers hard-working, middle-class families an opportunity to own their first home by providing first-time home buyers with interest-free second mortgages up to \$15,000 per home built or rehabbed in an Enterprise Zone. This program is founded on fundamental American values of ownership, equity and family stability.

If we are to undertake a concerted effort to rebuild the depressed areas of our cities and create sound and attractive neighborhoods, there is no question that housing will be a key component of any Enterprise Zone program. People must not only be given incentives to work in urban areas but they must also want to live there.

In addition to coordinating housing with Enterprise Zones, I ask Mr. Cisneros to look at the newly authorized "National Cities In Schools (CIS) Community Development Program" which I introduced and which Congress enacted last year. This program is permanently authorized under the jurisdiction of HUD and focuses on our nation's children and the future of their communities. With 30 years experience as the nation's largest nonprofit dropout prevention organization, CIS is establishing a "school within a housing development" in the Watts neighborhood in Los Angeles. I believe this approach to further coordinate services must serve to promote self-sufficiency not only for individuals but entire communities.

This committee will look for leadership from the Secretary of Housing and Urban Development in many areas including maintaining the health of the FHA insurance funds while balancing the desire to assist low- and moderate-income home buyers. The Secretary should make the elimination of drugs in federally-assisted housing a top priority. Scarce resources such as CDBG dollars and elderly and handicapped housing funds must be maximized. Focus on safety and security issues, such as requiring smoke detectors in federally-assisted housing, must continue. Elimination of wasteful practices, such as lump-sum relocation payments for residents of public housing, should become standard practice.

Mr. Chairman, I look forward to Mr. Cisneros' perspective on these and other issues and to continuing our productive, bipartisan approach in addressing the nation's housing issues. Thank you.

PREPARED STATEMENT OF SENATOR CHRISTOPHER J. DODD

Thank you very much, Mr. Chairman.

Henry, I am pleased to join with my colleagues in welcoming you to the committee and in congratulating you on your nomination.

By nominating you for the position of Secretary of Housing and Urban Development, President-Elect Clinton sent a strong signal that the problems facing America's cities will be a top priority in his administration.

As Mayor of San Antonio, you brought community organizations, local officials, and businesses together and focused everyone on the need to create jobs and improve living conditions. Undoubtedly, that experience will be invaluable as you work with Congress to expand opportunity in America's cities.

Of course, the challenges ahead are enormous. During the last few decades, poverty has increased across America—particularly in our Nation's cities. Connecticut's urban residents have had a particularly difficult time. In Hartford, more than 27 percent of the residents are living in poverty. That makes Hartford the 8th poorest city out of those with more than 100,000 people. The statistics in Connecticut's other cities are also disturbing. For example, over 21 percent of New Haven's residents are poor, and in Bridgeport the figure is 17 percent.

Of course, statistics cannot convey the real story. That story is written on the faces of the families living in the worst neighborhoods where gun battles, burned-out houses, and hungry children are a part of everyday life.

Despite the severity of the situation, I am optimistic that we can turn our cities around. That is because our urban residents have not given up hope. Instead, with the help of churches and community organizations, they are forming block patrols, operating day care centers, rehabilitating housing, and developing small businesses. They are fighting to reclaim their neighborhoods, but they need some help.

We must provide that help and we need a comprehensive strategy to do it effectively. The key part of that strategy must be job creation. We need to implement programs that will help urban entrepreneurs develop small businesses—programs like Enterprise Zones.

But it won't do any good to create jobs if the workforce lacks the skills needed to fill them. So we must also improve the educational system and increase job-training efforts.

Similarly, the Nation needs adequate child care and health care policies so that when urban residents find jobs they can keep them. And we must also stimulate housing production so that everyone has a decent place to live.

Clearly, there is much work to be done and the Department of Housing and Urban Development will play a key role. For that reason, I am delighted that President-Elect Clinton has nominated you to head the Department. I know that you have some excellent ideas about the issues I've raised and I look forward to discussing them in further detail during the question and answer period. More importantly, I look forward to working with you in the years ahead.

PREPARED STATEMENT OF SENATOR JIM SASSER

Mr. Chairman, I would like to welcome Mr. Cisneros and congratulate President-Elect Clinton on his superb choice for HUD Secretary. Mr. Cisneros has an impressive resume and appears eminently qualified to do the job.

Certainly the most daunting task facing the new HUD Secretary is coming up with a program to address the problems of our big cities. I am particularly pleased that President-Elect Clinton has selected a former mayor from a large city to do this job. I am also pleased that this nominee brings strong academic credentials with respect to urban affairs.

Mr. Chairman, I would also like to take this opportunity to remark that I look forward to working with the Secretary on two particularly important initiatives. I

am a strong supporter of the home program and was pleased that it was supported by the President-Elect in *putting people first*. This relatively new program holds great promise for our Nation's affordable housing efforts. The home program provides for local flexibility and promotes important partnerships among public, private, and non-profit interests. We have a program working in Chattanooga, Tennessee—Chattanooga Neighborhood Enterprises—that is a model for the kinds of cooperation that the home program can reinforce. I am hoping that the home program will foster similar efforts in other parts of Tennessee.

Secondly, I would like to urge Mr. Cisneros to consider elevating the needs of *first-time homebuyers* to the very top of his policy agenda. None will dispute the important role that home ownership plays in the *social and economic fabric* of our society. In the 1980's we witnessed the *first* decline in the national home ownership rate since the second World War. While many factors contributed to this decline, I believe it is important that the HUD Secretary use his Department's considerable resources and his role within the administration to reverse this trend.

In closing, I would like to say that as Budget Committee Chairman, I am painfully aware of the scarcity of resources that will be available to meet the enormous housing and community development needs. These needs have been too long deferred. I look forward to working with Mr. Cisneros in his efforts to use existing resources more creatively and to expand the available resources for low-income housing, if possible.

Thank you, Mr. Chairman.

PREPARED STATEMENT OF SENATOR CAROL MOSELEY-BRAUN

Mr. Chairman, I am pleased to be here this morning as the Senate Banking Committee considers the Nomination of Henry Cisneros as Secretary of Housing and Urban Development. Indeed, I feel privileged to have the opportunity to see and hear from one who is courageous enough to answer the call to put our democracy back on track. For, putting our democracy back on track, Mr. Chairman, is what I perceive to be a central role of the next Secretary of the Department of Housing and Urban Development. To ride on busses today or on subways across my State of Illinois or across the Nation, reveals a democracy derailed. For, although the foremost duty of a Democratic Government is to ensure a decent quality of life for all its citizenry, a bus ride across America reveals the miles between the democratic ideal and the reality.

In the face of resurgent poverty, economic dislocation, and educational decline, with concomitant severe budget reductions, during the past decade, our Federal Government opted not to provide for the general welfare of its citizenry, but rather to reorder our national priorities to profoundly and negatively affect the vast majority of Americans. As a result, today, a time-bomb is set to go off in many American communities as it did in South-Central Los Angeles just months ago, unless something is done to shore them up: to create jobs, rebuild our infrastructures and build and rehabilitate housing across this Nation. The issue of housing the Nation's populace is inextricably linked to crime in our communities; the physical and mental health of our citizenry; the educational attainment of our people; and the overall quality of life for Americans.

Housing in our communities is all too often unavailable, unaffordable, overcrowded, unsafe and unsanitary. It will be a primary responsibility of the next Secretary of HUD to correct this situation. The direction HUD takes will have a direct bearing on our Nation's ability to get back on track. The course taken by the Department of Housing and Urban Development over the next four years is of signal importance to the general welfare of our Nation and the health and living standards of our people.

I don't have to tell anyone here today that during the past decade, the quality of life for most Americans declined. Some 8 million additional Americans were cast into the quagmire of officially defined poverty, bringing the official toll of Americans living in poverty to 32 million. Two million of the 8 million new persons living in poverty are African American. Nearly one half million American children suffer the pangs of hunger; and growing numbers of these hungry children swell the ranks of the 3 million Americans who are homeless.

During the past ten years, the budget axe cut more deeply into housing programs than into any other part of the domestic budget. The HUD assisted housing budget authority was decimated. An astonishing 82 percent was cut from that budget. The number of additional families HUD assists fell by more than half. These cuts undermined low-income housing assistance; they also destroyed the ability of contractors and developers throughout my home State of Illinois and across our Nation to build affordable housing—and critical economic development opportunities were lost.

The results of the past decade of disregard and inattention to the Nation's housing needs are all too visible. Currently, there are as many families on public housing waiting lists as there are existing housing units. Yet, housing authorities like the Chicago Housing Authority have vacancy rates of up to one-third because the units are uninhabitable and the Federal Government isn't helping to repair them.

And it not just the poor whose housing has deteriorated or who are unable to attain decent, safe, sanitary and affordable housing. The hope of obtaining a home for millions of others is being dashed because of escalating prices, redlining, other forms of housing discrimination and the unavailability of loans.

The price of a starter home rose 21 percent in the last 20 years, while the average income among potential first-time homebuyers declined by more than 7 percent. The result is that up to a quarter of young Americans who want to buy a home can't. An even greater percentage of young African-Americans, Hispanic-Americans, women heads of households and same gender families who can afford to buy a home are prevented from doing so because of arbitrary and discriminatory policies which deny loans to persons simply because of their race, ethnicity, gender or sexual preference.

Mr. Chairman, I believe that Secretary-Designate Cisneros is committed to this end. He also possesses the experience and ability to make it happen, with our help. And, Mr. Cisneros has expressed his willingness and ability to work with us. He has also indicated his willingness and ability to work in tandem with the financial community and innovative local and community lenders. He will work with Mayor Daley of Chicago, Mayor Box of Rockford, Mayor Bush in East St. Louis, Mayor Langfelder in Springfield, and elected officials in small towns and large cities throughout Illinois and the Nation to build safe, affordable housing, create jobs and revitalize communities.

In closing, Mr. Chairman, I want to express my support for Secretary-Designate Cisneros. If he has the courage to respond to President-Elect Clinton's call for bold leadership on national housing and urban affairs issues, in an attempt to put this democracy back on track, then I am ready and eager to work with him. I urge other members of this body and of the United States Senate to join me in supporting Henry Cisneros for Secretary of Housing and Urban Development.

A recent study of home mortgage data, released by the Federal Reserve Board, documents the institutional racism of financial institutions. The study found that financial institutions deny the mortgage applications of African Americans and other minorities in disproportionate numbers. The report indicated that in every metropolitan area, the rejection rate for minority applicants for home loans was between 1.6 and 3.4 times greater than for white applicants. Even when these figures were adjusted for income, disparities based on race were not reduced. In 60 percent of the cities studied, upper-income minorities were rejected more often than lower-income whites.

The responsibility of reversing these housing and urban development trends and putting this democracy on track will in large measure be that of the Secretary of HUD. The task will be daunting. For, our communities are in dire straits. The absence of a clear national housing and urban development agenda for more than a decade has brought this Nation to a boiling point. To borrow the observation of Dr. Martin Luther King, Jr. "There is a kind of strangulation in the air . . .".

That strangulation can be relieved if we opt to realize the right of every American to decent, safe, sanitary and affordable housing and we work aggressively toward that end. Investment in housing development can not only improve community conditions, but it can help create jobs and stimulate our economy. It is therefore a sensible and prudent dedication of public resources, and one which will produce direct as well as indirect benefits to the public at large.

Mr. Chairman, I believe that Secretary-Designate Cisneros is committed to this end. He also possesses the experience and ability to make it happen, with our help. And, Mr. Cisneros has expressed his willingness and ability to work with us. He has also indicated his willingness and ability to work in tandem with the financial community and innovative local and community leaders. He will work with Mayor Daley of Chicago, Mayor Box of Rockford, Mayor Bush in East St. Louis, Mayor Langfelder in Springfield, and elected officials in small towns and large cities throughout Illinois and the Nation to build safe, affordable housing, create jobs and revitalize communities.

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PREPARED STATEMENT OF SENATOR CONNIE MACK

Welcome to the Senate and the Banking Committee.

As a former mayor, you clearly start out with an understanding of the complexity of housing issues. When I came to the Senate 4 years ago, one of my first responsibilities was to learn about housing as a new member of the Housing Subcommittee.

As I toured the State of Florida, I met with dozens of residents of low-income housing who shared with me their life's experiences. I spent a lot of time with them and with the people who have dedicated their lives to serving their needs.

One of the first things Secretary Kemp did when he took office was to reemphasize the importance of people in our Nation's housing policy. My travels throughout Florida confirmed to me that this was the correct direction.

Many of the low-income families with whom I visited—mostly single black mothers with children—explained their frustration with how Federal assistance has not helped them improve their lives. In many cases, they had become dependent on the assistance that strangled their ability to become self-sufficient. This is wrong.

I know HUD does not have jurisdiction over other policies such as Aid to Families with Dependent Children (AFDC) and job training. But I don't believe our Nation's housing problems will be properly addressed until we merge our view of these social problems, rather than look at them in an isolated fashion.

The point is this: housing problems are people problems not building problems. We can't throw a roof over someone and walk away believing we've solved the problem. It just doesn't work.

I'm sure you know that Congress passed landmark housing legislation in 1990, the Cranston Gonzales National Affordable Housing Act. Many programs focusing on tenant empowerment, including Homeownership and Opportunity for People Everywhere (HOPE), were included in the new law. Unfortunately, HOPE has never been fully funded. HOPE is not the entire solution to our housing problems, but I think it deserves a better chance. I'm optimistic you will be responsive to this concern and with the general idea that housing problems need to focus on people, not just bricks and mortar.

PREPARED STATEMENT OF HENRY G. CISNEROS

SECRETARY-DESIGNATE OF HOUSING AND URBAN DEVELOPMENT

JANUARY 12, 1993

Mr. Chairman, Senator D'Amato, and members of the committee, I appreciate the honor of being with you here today, and the many courtesies extended to me by this committee in the weeks following my nomination by President-Elect Clinton.

Before considering, my qualifications and capacity to assume this important position, I ask that we remember why we are here. In the urban homelands and the rural hollows, in cities large and small, an entire generation of children is slipping away. We are even advised by some to write them off, and to focus our attention on the pre-schoolers with whom we still have a chance. Families with declining wages are downsizing or discarding essential American dreams such as owning their own homes. More and more, the people of our country are divided by race, intimidated by crime, and isolated from the economic mainstream. The thunderclap of violence emanating from Los Angeles reminded us of the scale and complexity of the immense challenges confronting our diverse and multicultural society. I am here today because I am convinced the country is in trouble, and that we're running against time.

Restoring safety and prosperity to our communities, ensuring a steady supply of livable and affordable housing to our communities, and rekindling hope in the hearts of our people are values that are central to the mission of the Clinton Administration and its Department of Housing and Urban Affairs. I come to this assignment as an advocate of the cities, a skeptic of the status quo, and a believer in experimentation, federalism, and the need to provide people with hope. These are the values which I intend to bring to the Secretary's office if I am confirmed, for they are the values which I have tried to bring to my life as a public servant.

My commitment to working with American communities dates back to 1967, when I traveled to New York City as a university student to see first-hand the scope and severity of the urban crisis. My first job out of college was as Assistant to the City Manager of San Antonio. In short order, I served as Director of San Antonio's Model Cities program, an experience that prepared me to understand the problems of neighborhood life in the poorest areas of the city. Later, I worked on the staff of

the National League of Cities in Washington, DC, and as a White House fellow as part of an advisory group of the Health, Education, and Welfare Department.

These experiences with city life helped prepare me to serve the people of San Antonio. As their Mayor, I worked to create jobs, provide housing, fight crime, and strengthen education. As Mayor, and as President of the National League of Cities, I visited virtually every major city in America and developed a greater appreciation of the problems facing our communities and how best to solve them. The cities and the States cannot solve these problems alone, but neither can the Federal Government. If we are to help States and communities, HUD must become an effective partner with those units of Government, those elements of the private sector, and those representatives of the non-profit sector of our society who share our goals and desire to achieve results.

I envision three aspects to my mission at HUD, if I am confirmed by this committee and the United States Senate: Developing an urban strategy, focusing on the mission of housing, and overhauling the management systems and continuing the reforms of the Department. These are mutually reinforcing goals, and they cannot be realized separately—they must be implemented together.

I believe it was Winston Churchill who said "first we shape our buildings and then they shape us." It's true. The physical places where America's people live, work, recreate, raise their children, and grow old are central to HUD's mandate. That is why this Department must be the focus of President Clinton's urban strategy. We must take advantage of the new spirit of strategic thinking that is emanating from the local level. By tapping the talent and the ideas of leaders in the community, we can make urban places exciting and key building blocks in a rejuvenated American economy.

The second aspect of my task is to address HUD's traditional mission of housing. I am alarmed by the direction of key housing indicators, particularly for those most in need: The number of low-rent units in the housing stock has fallen; the number of worst-case renter households (those spending 50 percent of their income or more on housing) has increased; the number of homeless has increased; the percentage of income paid by poor homeowners for shelter is up; and multifamily housing starts are down.

While we cannot promise today that we will meet all of those needs, we must work with speed and dedication to reverse those trends. Every morning our task will be to turn all of these arrows in a positive direction, a task for which I expect to be held accountable. Ultimately, this depends on a resurgent American economy—a private sector that spurs investment, and spreads prosperity to the ghettos and barrios of our Nation. But we at HUD will also do our part.

The Department must be run with greater efficiency, a sense of innovation, and a greater connection to our partners in Government and the people we serve. HUD still faces enormous operational deficiencies; they must be remedied and then we must move to an even higher standard. That means bringing the Department into a new order of fiscal and programmatic effectiveness. And, it means reviewing and critiquing the Department's performance—for the GAO, Price Waterhouse and the Inspector General, for example—to measure the deficiencies and to put into place the systems and organizations to correct them. Finally, the Department should expand participation to other stakeholders, listen to their voices, and encourage everyone—Federal, State and local participants—to focus their energies on results. We must replace a "gotcha" mentality driven by regulations with a problem-solving spirit. We must reestablish HUD as enabler, partner, and agent of change.

Those are the challenges of the Department as I see them, Mr. Chairman, and they define my task and my mission in the years ahead.

Although there is a sense of crisis in our cities, there exists a strong desire to make our communities vibrant and give our children hope. I am a Texan. And my State leads the Nation in bragging about our homes, our communities, and our accomplishments. But I am well-traveled enough to know that the people of America feel that way about their communities in their hometowns, too. We are a country enriched by our civic pride, and we are constantly on a journey for self-improvement—to lift our incomes and aspirations, to bind the wounds of racism and discrimination, to take this Nation to higher heights, and to bequeath a more peaceful, civil and prosperous future to our children. That is what I want for my children and what I want for our society. And with your support, we will do our part to realize those dreams at HUD.

Thank you. I would be pleased to take your questions.

RESPONSES TO QUESTIONS SUBMITTED BY CHAIRMAN RIEGLE FOR SECRETARY-DESIGNATE HENRY G. CISNEROS

GOVERNMENT-SPONSORED ENTERPRISES

A. Last year, the committee passed GSE legislation to address lending discrimination and improve access to capital for inner cities. This legislation requires an increased commitment by Fannie Mae and Freddie Mac to serve the inner city and low- and moderate-income home buyers and strengthens their fair lending requirements. The law requires the HUD Secretary to oversee the GSE's effort to fulfill these requirements.

Do I have your full commitment that, if confirmed, you will vigorously enforce this law to ensure that Fannie and Freddie increase their commitment to provide mortgage credit for inner city and other credit starved communities?

What role do you believe Fannie Mae and Freddie Mac should play in facilitating credit to inner city communities?

B. The Federal Housing Enterprises Financial Safety and Soundness Act of 1992, enacted as part of last year's housing bill, requires the Secretary of HUD to set interim housing goals for Fannie Mae and Freddie Mac. I view the establishment and enforcement of these goals as critical to ensuring that these massive, very profitable, and Government assisted companies are doing their share to help provide affordable housing for low- and moderate-income Americans, especially those in central cities. The law specified that the interim goals for 1992 are to be established by January 29, but it appears that deadline will pass. How soon do you believe that you will be able to issue a notice for these goals?

These are both two very good questions about these institutions that have tremendous impact on the provision of credit to developers and owners of low- and moderate-income housing.

First, I believe that the GSE legislation provides new opportunities for Fannie Mae and Freddie Mac to increase their commitment in providing mortgage credit for inner city and other credit starved communities. HUD must play a leadership role both establishing a strong Office of Federal Housing Enterprise Oversight (OFHEO) to ensure the safety and soundness of these two institutions and in requiring Fannie Mae and Freddie Mac to meet their designated housing goals as set out in the legislation.

Second, if confirmed, I will review the status of the regulations to issue a notice for these goals. We must move quickly to implement the regulations and get the program moving.

QUESTIONS SUBMITTED BY CHAIRMAN SARBANES FOR SECRETARY-DESIGNATE HENRY G. CISNEROS

RESPA

On December 2, 1992, a HUD final rule revising regulations for the Real Estate Settlement Procedures Act (RESPA) became effective. These regulations make several changes to RESPA. The regulations have been criticized as not providing sufficient consumer protection against the kinds of abuses RESPA was designed to prevent.

I along with other members of the Senate and House Banking Committees wrote to Secretary Kemp in November 1992, to raise concerns regarding the adequacy of consumer protections contained

in the final RESPA rule and to urge the Department to delay implementation of the rule until April 28, 1993, the implementation date established in Section 908 of the 1992 Housing Act.

If confirmed, do you intend to review the December 2nd, RESPA regulations? If so, how quickly can we expect this to occur?

I am aware of the controversy surrounding the December 2 regulations and recognize that they raise significant concerns—not only regarding the adequacy of consumer protections, but also regarding the appropriate level of competition within the primary mortgage market. I also understand that members of this committee, including Chairman Riegle, Senator Sarbanes and Senator Cranston, as well as Chairman Gonzalez of the House Banking Committee, wrote Secretary Kemp in November requesting a delay in the December 2nd implementation date. I fully understand the gravity of the situation presented by these regulations. I view the concerns raised by the Congressional letter as very serious ones.

As most of the members of the committee are aware, RESPA was enacted in 1974 to protect consumers from unnecessarily high settlement costs arising from abusive practices by some in the real estate community. From all indications, it appears that the December 2nd regulations renege on earlier assurances given by the Department to this committee regarding the consumer protections associated with CLOs.

Although I have not yet had an opportunity to review the regulations in great depth or to discuss the issue with the new General Counsel, I intend to do so expeditiously. RESPA is a vital consumer protection statute and, if confirmed, I will work to ensure that it continues to function as intended by Congress.

WRITTEN RESPONSE TO QUESTION SUBMITTED BY SENATOR SARBANES

How do you view the new lead paint program? Will implementation and enforcement of its provisions receive a high priority within your administration?

The Lead Hazard Reduction Grant program created by Title X of the Housing and Community Development Act of 1992 is very important. As many of you know from just having studied this issue and writing new legislation to address it, lead poisoning—mostly caused by lead-based paint exposure—is the most common and devastating environmental disease of young children. Certainly implementation of these new regulations will receive serious attention from me, if I am confirmed, I will direct the Office of Lead-based Paint Abatement to place as a priority implementation of and focus on the new Act.

As Secretary, I will also focus on the part of the Act which requires a Task Force to examine the liability of lenders, realtors, owners, and others for lead poisoning caused by exposure to residential lead-based paint. I will see that HUD makes a significant contribution to this Task Force.

QUESTION SUBMITTED BY SENATOR MOSELEY-BRAUN

CHICAGO SPECIFIC QUESTION

There are two Chicago projects: Germano-Millgate Apartments and Regents Park that I would like you to review personally. Both

of these projects have very long histories and both are in danger of further deterioration if HUD does not act promptly and equitably to resolve the longstanding problems. My office has extensive information on both projects and would be happy to supply any materials concerning either of them that you might need.

I am very concerned about severely distressed public housing. Although only six percent of public housing is physically distressed, many of these distressed units are located in our inner cities. If confirmed, I plan to immediately determine if there are any regulatory fixes available to improve the distribution of public housing modernization funds which are relied upon as the primary program to address the stock of public housing.

I also plan on implementing the new HOPE VI program which is an innovative rehabilitation and social service oriented program directed to cities that have severely distressed public housing.

RESPONSES TO WRITTEN QUESTIONS SUBMITTED BY SENATOR D'AMATO

1. Mr. Cisneros, would you favor a demonstration, aimed at several public housing projects with the high incidents of criminal activity—especially those marked by wanton use of firearms or designated as high intensity drug trafficking areas—to see if we can significantly improve conditions in police presence?

The safety and protection of residents living in public housing is of immediate concern to me. If confirmed, I will look carefully at ways of including security as one of the eligible activities of public housing operating subsidies. I am also supportive of the block grant which enables residents to make safer their housing areas.

2. Would the Department, during your tenure, be more flexible in administering your current regulations to promote home ownership opportunities?

Home ownership is an important goal for low- and moderate-income families. As Secretary, I will review home ownership regulations to determine if there are ways to reduce the regulatory complexity. The FHA programs should increase home ownership opportunities for working families.

3. President-Elect Clinton stated that he wanted to make home ownership possible for more Americans. What plans does this administration have to use FHA for this purpose? Are there other plans to increase options for home ownership?

FHA is a critical component of the U.S. housing market. As Secretary, I hope to rejuvenate FHA single family programs at HUD by implementing new management and oversight programs. The changes in the 1992 Housing Act that increase the FHA ceiling in some areas to \$151,875 may be a means to achieve financial stability in the FHA fund and to make home ownership available to a broader range of households.

4. Local regulations have been cited as a major cause behind the high cost of housing in some areas. How can the Federal Government help every American afford decent housing when some places chose to restrict people's ability to live there? What plans does this administration have to further the Federal Government's effort to encourage the removal of unnecessary restrictions and requirements?

It is important to achieve the right balance between regulatory oversight and the ability for Federal or local government to be free from unnecessary restrictions. As Secretary, I will review ways to achieve this balance.

5. As a former mayor, you are keenly aware of our inner city problems. President-Elect Clinton made the revival of our cities an important part of his campaign. What do you see as the most significant problems facing our inner cities and have you given any thought to how the Department can focus resources on those problems?

We have many problems facing our inner cities including the deterioration of housing, the crumbling of our neighborhoods, the breakdown of family, and the lack of credit in many of these neighborhoods. Most startling, we have areas where people are afraid to leave their homes because of the frightening prospect of violence. Through effective, strong interagency coordination we can revive and make safe our neighborhoods, rehabilitate our stock of housing, and provide job opportunities for our young people and heads of households. I would place a premium on the coordination of these activities.

6. The multifamily stock is the primary source of housing low income families. The condition of the stock has deteriorated while the rent burden has increased. We are losing more low income rental units than we are building but the need for affordable housing continues to increase. Direct HUD rental subsidies reach less than a third of those eligible. Do you see FHA multifamily mortgage insurance as a part of the solution to providing more decent rental housing?

FHA multifamily mortgage insurance is an important part of the solution to provide decent and affordable rental housing. If confirmed, I intend to revitalize the FHA multifamily program through management and systems reforms and better oversight of the FHA multifamily programs. The production and rehabilitation of multi-family housing is an important part of a comprehensive housing strategy.

7. The Housing and Community Development Act of 1987 provides an opportunity for public housing tenants to manage their housing. As you know, President-Elect Clinton has expressed support for this concept. Do you share that view?

Management is an important avenue for public residents to invest in the area in which they live. This can be a stabilizing force for residents. It is my understanding that planning grants are out to PHAs to help facilitate this concept. I will watch the development carefully.

8. During the past year, a number of tenant groups and public interest organizations have complained that public housing agencies have harassed tenant groups seeking to organize for resident management, including the San Antonio Housing Authority. Secretary Kemp urged the Department of Justice to investigate, and it has agreed to do so. As HUD Secretary:

a) Will you press for prompt and vigorous investigation by the Justice Department?

b) Will you agree to meet personally with representatives of the organizations presenting the charges during your first 60 days as HUD Secretary?

I am not familiar with the case regarding alleged harassment of public housing resident groups. I will look into this situation if I am confirmed as HUD Secretary and confer with the Justice Department and meet with the representatives of the organizations if I determine that such action is appropriate.

9. The National Affordable Housing Act of 1990 permits tenants in public housing to purchase their units. Do you agree that this is a good policy, and would you work to encourage its use?

The HOPE I program could be a useful program in some circumstances. HOPE I will enable some low-income families to become homeowners. However, it is unlikely that HOPE I will be able to address many of the long-term systemic problems related to public housing. I believe we should explore the 1990 programs as well as others to help tenants have more control over their living environment.

10. Do you agree with and would you support recent HUD proposed regulations providing a streamlined procedure for procurement of public housing goods and services from tenant-owned businesses?

I will study this interesting proposal and consult with others to determine if such a proposal would be appropriate at this time in public housing.

RESPONSES TO QUESTIONS FROM SENATOR HARRIS WOFFORD

1. States and local governments are either investing scarce resources to clean up polluted urban land to reuse them for industrial sites or housing development or moving the investment into valuable open space outside the city. The impact of this type of disinvestment in the cities and the contribution to suburban sprawl affects not only the economic and community development strategies for urban areas, but also compounds the "reverse commute" issue that forces urban residents to either seek affordable housing in the suburbs or contribute to the congestion while trying to get to work. How could environmental clean-up and protection become a more effective part of the Federal Government's economic and community development strategy?

In many cities one of the key impediments to economic development efforts is the presence of contamination and other environmental problems. Currently, there is no targeted Federal effort to address this extreme problem. I view this as something that must be addressed. I understand that you as well as other members have been exploring ways to integrate the clean up of contaminated sites into economic and community development activities. I look forward to working with members of this committee in exploring ways to implement a categorical response to the damaging existence of toxic waste and other contaminants in our cities.

2. HUD administers programs for small communities as well as large urban communities. How do you plan to improve HUD's service to rural communities and small towns?

My education and professional experiences have given me the opportunity to learn first-hand about communities throughout the Nation. During my tenure as President of the National League of Cities, I became intimately familiar with the problems and needs of rural communities and small towns. If confirmed, I will carefully review the provision of services to rural communities and small towns and will endeavor to provide the highest quality of services to them. Currently, 30 percent of all CDBG funds are statutorily designated for rural communities. This program has been very important to rural areas and I am strongly supportive of it. I am hopeful that the HOME program will be a useful tool for rural areas working to meet housing needs. As Secretary, I will monitor this program.

3. There is clearly a need to integrate housing programs and support services. However, State and local governments seem to be having difficulties institutionalizing these linkages. Should HUD encourage such cooperation and how could it help?

One of my primary goals as HUD Secretary will be to develop an integrated urban strategy. I plan to work with our partners in Government—Federal, State and local—to develop and implement a strategy that addresses needs from the ground up. Integration of housing programs with support services will clearly be included within the overall strategy.

4. There seems to be significant operational problems at HUD. I have heard from many constituents about the confusion and delays caused by HUD staff. For example, I have heard that State grantees receive different answers to questions from different field offices. And I have heard that CDBG announcements often are made without operating instructions, which hold up implementation. What priority will you give to improving the service provided by HUD?

I understand from discussions with various Senators that there are some significant operational problems, at HUD, and I appreciate your information regarding examples of these problems. An immediate task would be to review existing resources, including staff, systems, and operations, so that we can better understand existing deficiencies. I hope to infuse the Department with a greater sense of innovation and to increase efficiency with available resources. For example, rather than hire more staff immediately, I will attempt to improve provision of services through increased training. I may have to seek your help in obtaining resources to hire staff in the future, but I hope to improve services provided by current staff. I will seek not only to remedy existing operational problems, but to move to an even higher standard of efficiency.

5. Evidently there are several areas in Pennsylvania that do not have FHA lenders. I have been informed that HUD has been reluctant to either encourage or to provide training to financial institutional [sic] to become FHA lenders. Do you see the need to expand the number of FHA lending institutions and should HUD provide the necessary training?

Again, an immediate task will be to review current resources and practices to determine where deficiencies exist. I appreciate your information regarding Pennsylvania and I certainly understand your concern. I will review the specific situation, assuming I am confirmed.

6. I have heard from my constituents that in some cases apartment owners are being reimbursed for rents under the Section 8 program at a greater rate than actually exists in the marketplace. Will you make it a priority to make sure that rents are not being paid at greater than actual fair market value?

It is my current understanding that HUD does not have in place proper tools to evaluate the number of Section 8 contracts, nor the amount owed to private landlords for Section 8 contracts. I will make it a priority to complete the set up the CFS/TRACS system in order to properly evaluate the number of Section 8 contracts and the amount of those contracts. It is also to monitor all programs to prevent abusive practices.

RESPONSES TO QUESTIONS SUBMITTED BY SENATOR MURRAY

1. There are a number of Federal housing programs like FHA that were created in the 1930's or after World War II to help low-and middle-income American families afford housing. Those programs worked well for a while, but recent statistics indicate that new home ownership during the last 15 years is slipping.

I would like to see something like a GI bill for new teachers and other community service workers. In many urban areas, like Seattle, the cost of housing is enormous and these new workers cannot make their downpayments without help. Do you think that it would be possible to fashion a Federal program to offer some kind of help for these people.

First, I think it is essential that through implementation of the 1992 legislative revision to the Government Sponsored Enterprises programs, we should focus on the ability of Fannie Mae and Freddie Mac to aggressively pursue lending to low- and moderate-income people. As I have stated before, the FHA single-family programs are essential in this effort.

Teachers, as well as others who enable this country to be strong deserve the basic security of home ownership. You raise an interesting idea. As Secretary, I will look at innovative ways to broaden ownership such as the one you describe.

2. In Neufel v. HUD, Civil Action No. CY-90-3057-FVS, in the United States Court for the Eastern District of Washington, HUD was found guilty of violating the Emergency Low Income Housing Preservation Act of 1987 by improperly allowing an owner to withdraw from the Section 221(d)(3) program. Because of the way that relief might be structured, some of these tenants may be displaced because they will not be able to afford the rents that the owner may be able to obtain under the Section 221(d)(3) program. Would you provide Section 8 subsidies to this project in order to allow the tenants, who have won the lawsuit against HUD and apartment owner, to stay in their homes?

I understand that the 1990 Housing Act supersedes the Emergency Low Income Housing Preservation Act of 1987, by ensuring that residents living in 221(d)(3) building units will be allowed to either remain in the building where they currently reside, or they will receive a Section 8 certificate as a replacement unit. Thus no resident should be displaced from the building.

WRITTEN RESPONSE TO QUESTION SUBMITTED BY SENATOR DECONCINI

1. It has come to my attention that in Arizona there has been a deleterious reduction in Federal Housing Administration (FHA) staff. I would like to simply state that although it is imperative that the efforts to clean up HUD continue, I would also like to say that the FHA State office in Arizona has one of the best records in the United States for numbers of successful projects that are FHA insured and has one of the lowest failure rates in the Nation for FHA insured projects. Yet, the Arizona FHA office had one of the largest cuts in its professional staff at a time when its case load was doubling or tripling.

Secretary-Designate Cisneros, can you help this Senator by taking a closer look at the Arizona situation?

An immediate task will be to review existing resources, including staff, systems, and operations, so that we can better understand existing deficiencies. As part of my review, assuming I am confirmed, I will assess the situation in Arizona. I hope to infuse the Department with a greater sense of innovation and to increase efficiency with available resources. I understand that significant staff cuts have been made in recent years. My first step will be to attempt to improve the provision of services through increased training. I may have to seek your help in obtaining resources to hire staff in the future, but I hope to improve services provided by current staff. I do intend to appoint the most qualified people in regional offices and in Washington, DC to ensure that we best address needs.

2. How familiar are you with the privatization of Government functions being utilized at HUD? How familiar are you with those privatization efforts as they affect the FHA multi-housing division specifically?

I would like to see the revitalization of the FHA fund at HUD through the implementation of improved training and management systems. The revival of FHA multifamily activities is an important component of my housing plan.

I am not specifically familiar with the privatization of Government functions that are being used at HUD. If confirmed, I will look into these privatization efforts and review if and how they affect the FHA multifamily housing divisions.

3. May I ask you, how familiar are you with "delegated processing"?

Can I have your commitment that you will look at the cost effectiveness, the timeliness and the lack of sensitivity to local housing concerns involved with "delegated processing"?

I am becoming familiar with delegated processing. I understand that delegated processing was implemented by Secretary Kemp as a response to the failure of the co-insurance program. There are many skeptics of delegated processing which is one reason why the 1992 Housing Act implemented the risk-sharing demonstration with state housing finance agencies.

If confirmed, I plan on implementing the state housing finance agency demonstration to measure its success in multifamily housing finance. At the same time, I will examine the effectiveness of delegated processing. I am committed to rebuilding multifamily housing finance.

WRITTEN RESPONSES TO QUESTIONS SUBMITTED FOR SECRETARY-DESIGNATE HENRY G. CISNEROS

MORTGAGE DISCRIMINATION

1. What will HUD's role be in reversing the trend of mortgage discrimination?

3. How does HUD monitor mortgage discrimination?

I am acutely aware and concerned about the continued pervasiveness of discrimination in the mortgage markets. Despite two decades of enforcement under the Fair Housing Act, the evidence of widespread discrimination against African Americans, Hispanics and other minorities, women, families with children and persons with disabilities in the home mortgage lending markets continues to mount.

Amendments contained in FIRREA expanded the Home Mortgage Disclosure Act so that mortgage bankers, as well as banks, thrifts, and credit unions, must disclose acceptance and rejection rates for mortgage loan applicants according to the applicants' race, gender, and income level.

The Federal Reserve has published two reports using data collected under the expanded HMDA requirements which disclosed evidence of lending discrimination. Other reports, which span the decade of 1980-1990, support the contention that discrimination in mortgage lending is still pervasive in this country.

A General Accounting Office study recently revealed that the number of mortgage loans purchased by Fannie Mae and Freddie Mac (the government sponsored enterprises) per homeowner, declined as the percentage of minorities in the neighborhood increased and the income level of the neighborhood decreased.

Given all of this disturbing data, if confirmed I will direct the Department to be aggressive in its regulatory oversight of the primary lending community, as well as Fannie Mae and Freddie Mac in an effort to reverse mortgage discrimination.

2. What programs does HUD have in place to combat mortgage discrimination?

The Department's current efforts to address mortgage discrimination fall primarily under responsibilities of the Assistant Secretary for Fair Housing and Equal Opportunity. These efforts include investigating and conciliating housing discrimination complaints under the Federal Fair Housing laws.

The Fair Housing Act Amendments of 1988 greatly strengthened these enforcement powers. In addition, HUD conducts fair housing education and outreach programs in providing funds for states and communities to conduct such programs. The Department also combats mortgage discrimination complaints through the FHA Review Board for the oversight of FHA lenders. The Department also has regulatory oversight for Fannie Mae and Freddie Mac. The Housing and Community Development Act of 1992 established goals and strengthened fair lending requirements for Fannie Mae and Freddie Mac. The Department is currently sponsoring a major symposium on the issue of mortgage discrimination.

4) Does HUD support expanding the Home Mortgage Disclosure Act data to include underwriting criteria for rejecting a loan applicant?

Many reports have discussed the role underwriting criteria plays in the whole area of mortgage discrimination. However, I have not had the opportunity to study the intricacies and the viability of including information on underwriting criteria in the data which must be disclosed under the Home Mortgage Disclosure Act. The Housing and Community Development Act requires the Department to undertake a study of underwriting and its implications for mortgage discrimination. This is an important issue which clearly requires further study and attention.

FEDERAL HOUSING ADMINISTRATION

- 1) *What percentage of the FHA single family fund loans go to borrowers with incomes 80 percent below the median income?*
- 2) *What percentage of the FHA single family fund loans go to borrowers with income 100 percent below the median income?*
- 3) *Does the FHA single family program have an outreach effort to encourage lenders to get low income borrowers into the program?*
- 4) *What incentives does FHA provide to a lender to make a low income loan?*
- 5) *Does HUD require FHA lenders to fill out standardized forms? How many forms? How did the 1990 FHA reforms change the forms? What are the paperwork requirements for an FHA lender?*
- 6) *Are lenders with high default rates excluded from the FHA single family program?*
- 7) *Does HUD monitor the success rates of FHA lenders?*

FEDERAL HOUSING ADMINISTRATION—ANSWER TO 1-7

One of the most important aspects of the HUD mission is to ensure and broaden home ownership opportunities. Central to this effort are the Federal Housing Administration insured single-family housing programs and the way these programs are administered. These programs must be operated in a way that helps low- to moderate-income people realize the American dream of home ownership. The answers to the questions you have asked regarding the income range of FHA borrower and other data regarding the program are key in determining if FHA is meeting goals set.

I do not have access to the internal data systems and other types of information that would answer these questions. I am very pleased that you consider this issue of accessibility to the FHA programs an important one. As soon as I am confirmed as Secretary of HUD, I will immediately look into these questions and provide you with specific answers as soon as possible.

HUD DATA COLLECTION ON WOMEN

- 1) *How many female headed households are receiving HUD housing assistance?*
- 2) *What percentage of HUD housing assistance is going to women? Can you display this data by housing program?*
- 3) *How many are on HUD waiting lists for housing?*
- 4) *Does HUD keep data on female headed households participating in the FHA single-family program? If so, out of all FHA borrowers, how many are women?*
- 5) *Does FHA collect data on default rates of women vs. men? Do women prepay more than men?*

DATA COLLECTION ON WOMEN—ANSWER TO 1-5

Again, these questions are very serious and get to the heart of the discussion regarding HUD's effectiveness at reaching people most in need of housing assistance. Your questions address two important issues: accessibility of HUD and FHA-specific programs, and fair housing. As Secretary, I will be very adamant in my views that all people are to be treated fairly. I will not tolerate discrimination within the Department and the program administration, and I will work to see that discrimination outside in the market-place is combated.

If I am confirmed, I will also look into the specific numbers and statistics which you request. I will provide this information to you as soon as possible. I will tell you that I am intent to help people who have not been given a fair shake in general during the recent years, such as single mothers.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name:	Cisneros	Henry	Gabriel
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Position to which nominated:	Secretary, Housing Urban Development	Date of nomination:	12/17/92
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Date of birth:	6/11/47 MAN WOMAN NEUTRAL	Place of birth:	San Antonio, TX Bexar County
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Marital status:	married	Full name of spouse:	Mary Alice Perez Cisneros
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Name and ages of children:	Teresa A. Cisneros, 22
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Mercedes C. Cisneros, 17

John Paul Cisneros, 5

Education:	Institution	Dates attended	Degrees received	Dates of degrees
	Central Catholic High	1960-64	Diploma	1964
	Texas A&M University	1964-68	Bachelor Arts	1968
	Texas A&M University	1968-70	Master Urban	1970
			& Regional Planning	
	Harvard University	1972-73	Master Public Administration	1973
	Mass. Inst. Technology	1973-74	None	N/A
	George Washington Univ.	1970-71	DPA., Public Administration	1976

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

Sept 1972 - June 1973 Ford Foundation Grant Recipient John F. Kennedy

School of Government, Harvard University

Sept 1971 - Sept 1972, White House Fellow/ Office of the Secretary of Health, Education, and Welfare, Washington, DC

See Attached -- For honorary degrees, etc.

Memberships:

List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
SEE ATTACHED - ORGANIZATIONS		

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

SEE ATTACHED - PROFESSIONAL RECORD

Government experience:

List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.

SEE ATTACHED - Professional Record

Published writings:

List the titles, publishers and dates of books, articles, reports or other published materials you have written.

San Antonio Place in the Technology Economy; A Review of Opportunities and a Blueprint for Action. Authored by Henry Cisneros; September 1982.

Target '90; Goals and Decisions for San Antonio's Future, drafted by Mayor Henry Cisneros, July 1983.

A Survival Strategy for American Cities, Richard S. Child Lecture, City Club of New York, February 1982.

Daily Radio Commentary, 40 Radio Stations, Produced by Tichenor Broadcasting, 1989-1992

Host, Texans, Television Program, 20 markets in Texans, Produced by Phillips Productions. 1989-1992

Political affiliations and activities:

List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

CO-CHAIR, Ann Richards Governor's Campaign 1990

CHAIR, Don Morales for Attorney General 1990

Political**contributions:**

Itemize all political contributions of \$500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

NONE

Qualifications:

State fully your qualifications to serve in the position to which you have been named.
(attach sheet)

See "Education" and "Professional Record"

Future employment**relationships:**

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

Will comply with OGE Guidelines

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

Have no plans

3. Has anybody made you a commitment to a job after you leave government?

No

4. Do you expect to serve the full term for which you have been appointed?

Yes

Potential conflicts
of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

If is unlikely that any of my business associates and their clients will be affected by HUD policies. Nevertheless, I have submitted a personal commitment letter to the ethics officer at HUD which has been approved by HUD and by the Office of Government Ethics.

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

It is unlikely that any of my investments, obligations, liabilities or other relationships will involve potential conflicts of interest. Nevertheless, I have submitted a personal commitment letter to the ethics officer at HUD which has been approved by HUD and by the Office of Government Ethics.

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

NONE. I have submitted a personal commitment letter to the ethics officer at HUD which has been approved by HUD and by the Office of Government Ethics. This personal commitment letter relates to efforts I will undertake to remove myself from any possible conflict of interests by severance from certain companies, the creation of a voting trust for stock, and recusal procedures.

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

While Mayor and President of the National League of Cities I conferred with Congress on legislative issues

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

N/A

, criminal and
vestigatory
tions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

NONE

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

NONE

ORGANIZATIONS

AFFILIATIONS IN SAN ANTONIO

General Chair, San Antonio Target '90, 1983-89

President, Greater Austin-San Antonio Corridor Council, Inc.,
1985

Chairman, Fire & Police Pension Fund, 1981-89

Chairman, San Antonio Education Fund, 1989-Present

Chairman, Stadium Advisory Committee, Alamodome, 1989-Present

TEXAS & NATIONAL AFFILIATIONS

Past President, National League of Cities, 1986

Past President, Texas Municipal League, 1985

Member, Council on Foreign Relations, New York, 1985-Present

Member, President's National Bipartisan Commission on Central
America, 1983-84

Organizations - continued

Trustee, Notre Dame University, 1985-1988

Member, Board of Regents, Texas A&M University System, 1985-87

Co-Chair, Texas Response to the 1985 Mexico Earthquake, 1985

Member, Bilateral Commission on the Future of U.S. -Mexican
Relations, Ford Foundation, 1986-1989

Member, Board of Trustees, Baylor College of Medicine, 1987-
Present

Member, InterAmerican Dialogue, 1989-Present

Member, Rockefeller Foundation, Board of Trustees, 1989-
Present

Chairman, National Civic League, 1989-Present

Member, Governor's Task Force on Education Finance in Texas,
1989

Board Member, Tomas Rivera Center, Claremont, California,
1989-Present

Board Member, National Endowment for Democracy, 1990-Present

Deputy Chairman, Federal Reserve Bank of Dallas, 1991-Present

Member, Governor's Task Force on Revenues, 1991

Board Member, The American Assembly, 1991- Present

Board Member, Lyndon B. Johnson Foundation, 1991-Present

Co-Chair, National Hispanic Leadership Agenda, Present

Member, Commission on America in the New World, Carnegie
Institute of International Peace

PROFESSIONAL RECORD

- June 1989 - ..93 Chairman, Cisneros Asset Management Company (Investment firm managing \$350 million in fixed income accounts); Chairman, Cisneros Benefit Group (Investments, group health, and insurance planning); Chairman, Cisneros Communications (Television program and radio commentary).
- Apr 1981 - May 1989 Elected Mayor of San Antonio; Re-elected 1983 - Margin of Victory 94.2% of vote; Re-elected 1985 with 73% of vote; Re-elected 1987 with 67% of vote.
- Apr 1975 - May 1981 Member, City of San Antonio, City Council; Re-elected 1977 and 1979.
- Aug 1974 - Jan 1987 Faculty Member, Public Administration program, University of Texas at San Antonio; Faculty Member, Department of Urban Studies, Trinity University
- Sept 1972 - Aug 1974 Ford Foundation Grant Recipient John F. Kennedy School of Government, Harvard University; Teaching Assistant, Department of Urban Studies and Planning, Massachusetts Institute of Technology.

Sept 1971 - Sept 1972 White House Fellow/Office of the Secretary
of Health, Education, and Welfare,
Washington, D.C.

Jan 1970 - Sep 1971 Assistant to the Executive Vice President,
National League of Cities, Washington, D.C.

Jan 1969 - Jan 1970 Assistant Director, Department of Model
Cities, San Antonio, Texas

Sept 1969 - Jan 19⁶⁹ Administrative Assistant, Office of the City
Manager, Bryan, Texas

May 1968 - Sept 1968 Administrative Assistant, Office of the City
Manager, San Antonio, Texas

SELECTED HONORS & AWARDS

White House Fellow, 1971-72
 Selected "Outstanding Young Man of San Antonio" Jaycees, 1976
 Selected One of "Five Outstanding Young Texans" Texas Jaycees, 1976
 One of "Ten Outstanding Young Men of America" U.S. Jaycees, 1982
 Torch of Liberty Award, Anti-Defamation League of B'nai B'rith, 1982
 Jefferson Award, American Institute of Public Service, 1982
 Childs Lecture on Urban Affairs, City Club of New York, 1982
 Distinguished Leadership Award, American Institute of Planners, 1985
 Honorary Member, American Institute of Architects, 1986
 National Recognition Award by the Mexican Government for 1985 Earthquake Assistance
 Outstanding Mayor "All Pro" City Financial Team, City and State Magazine, 1986
 1987 Leadership in Local Government Award, American City & County Magazine, 1987
 President's Award, National League of Cities, 1989

UNIVERSITY HONORARY DEGREES

Honorary Doctor of Humane Letters, University of Maryland, Baltimore 1992
 Honorary Doctor of Laws, Texas Tech University, 1982
 Honorary Doctor of Laws, Incarnate Word College, 1983
 Honorary Doctor of Laws, George Washington University, 1984
 Honorary Doctor of Laws, Austin College, 1984
 Honorary Doctor of Laws, Claremont College 1985
 Honorary Doctor of Humanities, Webster College 1985
 Honorary Doctor of Laws, City College of New York, 1986
 Honorary Doctor of Humane Letters, Arizona State Univ. 1986
 Honorary Doctor of Letters, State University of New York, Oneonta, 1987
 Honorary Doctor of Humane Letters, Mount Holyoke College, 1988
 Honorary Doctor of Laws, Williams College, Massachusetts, 1988
 Honorary Doctor of Laws, Chicago Theological Seminary, 1988
 Honorary Doctor of Laws, Kenyon College, 1989
 Honorary Doctor of Laws, Marshall University, 1989
 Honorary Doctor of Business Administration, Bryant College, Rhode Island, 1991
 Honorary Doctor of Humanities, Jersey City State College, 1991
 Honorary Doctor of Laws, University of Wisconsin, Green Bay, 1992

MILITARY RECORD

Distinguished Military Graduate, Texas A&M University
 Commissioned Officer, U.S. Army, Infantry, 1968
 Captain, U.S. Army Reserves, (Resigned, 1978)

OF ADDITIONAL INTEREST

Interviewed by Democratic Presidential Nominee as a Potential Vice President Candidate, 1984.
 Asked by Vice-President George Bush to assist in briefing Soviet General Secretary Mikhail Gorbachev during 1987 Summit Meeting.
 Chaired the Hispanic Agenda Project in 1987-88 designed to define the common policy interests of the nation's Hispanic population.

JERALD W. RIGGLE, JR., MICHIGAN LEADMAN

ALLEN CHASTTON, CALIFORNIA	JACK CLARK, ALASKA
PAUL S. CANNON, KANSAS	ANDREW M. D'AMATO, NEW YORK
CHRISTOPHER J. DODD, CONNECTICUT	PINE GRIFFIN, TEXAS
ALAN J. DIKOW, ILLINOIS	CHRISTOPHER S. BOND, MISSOURI
JIM SASSER, TENNESSEE	CONNIE MACEDO, FLORIDA
TERESA SANFORD, NORTH CAROLINA	WILLIAM F. THOMAS, DELAWARE
ROBERT WEAVER, ALABAMA	PETE V. DOMENICI, NEW MEXICO
BOB GRAHAM, FLORIDA	NANCY LANDON KASSERBAUM, KANSAS
TIMOTHY E. WIRTH, COLORADO	ARLEN SPECTER, PENNSYLVANIA
JOHN F. KERRY, MASSACHUSETTS	
RICHARD H. BRYAN, NEVADA	

STEVEN B. HARRIS, STAFF DIRECTOR AND CHIEF COUNSEL
LAMAR SMITH, REPUBLICAN STAFF DIRECTOR AND ECONOMIST

United States Senate

COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

January 8, 1993

President-Elect Clinton
Clinton-Gore Transition
105 West Capitol Ave., Suite 400
Little Rock, AR 72201

Dear President-Elect Clinton:

As members of the Senate Task Force on Community and Urban Revitalization, we have worked together over the past year to encourage Congress and the Administration to do more for the needs of our urban centers.

As part of our efforts, Congress included in P.L. 102-368, the Supplemental Appropriations, Transfers and Rescissions Act of 1992, an appropriation of \$500 million for grants to rejuvenate neighborhoods and promote economic opportunity. The text of this provision is enclosed. Up to \$400 million is available for an "Enterprise Community Block Grant Demonstration Program" and up to \$200 million for the "National Public/Private Partnership Program." The expenditure of these appropriated funds, however, was made contingent upon enactment of separate authorizing legislation.

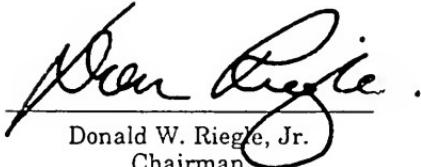
Such authorizing legislation was approved by Congress in October as part of the enterprise zone provisions of H.R. 11, the omnibus tax bill. But, because the bill was vetoed, the funds made available by P.L. 102-368 cannot be obligated.

The violence in South-Central Los Angeles last May highlighted the severe and persistent problems that exist in communities throughout the nation. A federal response is needed. Constructive efforts, however, have been caught in the gridlock in Washington over the last several years. The funds provided by P.L. 102-368 are one such example.

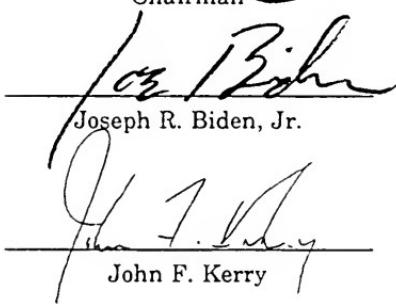
We intend to introduce authorizing legislation for these funds early in the Congress, so that this urgently needed assistance for distressed urban and rural areas can go forward as soon as possible in the manner Congress intended.

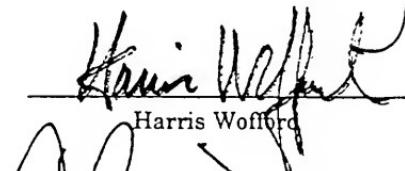
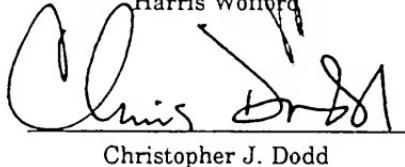
We want to work with you and your Administration to achieve this goal. If your staff has any questions or would like to follow-up on this letter, please contact Matt Roberts of Senator Riegle's staff at (202) 224-3228.

Sincerely,


Donald W. Riegle, Jr.
Chairman


Edward M. Kennedy


Joseph R. Biden, Jr.


Harris Wofford

Christopher J. Dodd

John F. Kerry

TITLE XII

ADDITIONAL ASSISTANCE TO DISTRESSED COMMUNITIES

The following sums are appropriated, out of any money in the Treasury not otherwise appropriated, to provide appropriations for the fiscal year ending September 30, 1993, to implement initiatives to improve the quality of life and expand economic opportunity, namely:

Community Investment Program

For grants to States, units of general local government and other entities as authorized by law for implementing activities to rejuvenate neighborhoods and promote economic opportunity, \$500,000,000, subject to enactment of subsequent authorizing legislation, to remain available until September 30, 1994: Provided, That, of the funds made available under this head, not more than \$400,000,000 may be made available for an "Enterprise Community Block Grant Demonstration Program", subject to enactment of subsequent authorizing legislation: Provided further, That, of the funds made available under this head, not more than \$200,000,000 may be made available for a "National Public/Private Partnership Program" which shall consist only of eligible programs, projects and activities under the following programs:

Job Corps Program under part B of title IV of the Job Training Partnership Act (29 U.S.C. 1692 et seq.);

Community health centers under section 329 and section 330 of the Public Health Services Act (42 U.S.C. 254c);

Head Start Program under the Head Start Act (42 U.S.C. 9831 et seq.);

Projects with respect to high risk youth under section 517 of the Public Health Service Act (as amended by the ADAMHA Reorganization Act);

YouthBuild Program under subtitle D of title IV of the Cranston-Gonzalez National Affordable Housing Act;

Neighborhood Reinvestment Corporation for use in neighborhood reinvestment activities, as authorized by the Neighborhood Reinvestment Corporation Act (42 U.S.C. 3101-3107);

Salaries and Expenses. United States Attorneys, only to assist local law enforcement agencies for additional coordination of Federal law

enforcement and prosecutorial activities;

Assistance to companies operating under authority of section 301(d) of the Small Business Investment Act of 1958;

Enterprise Capital Access Fund Demonstration Program, subject to the enactment of authorizing legislation;

National Community Economic Partnership Program, subject to the enactment of authorizing legislation;

Capacity Expansion Program under section 509F of the Public Health Service Act, as amended by Public Law 102-321;

Treatment Improvement Program under sections 301 and 509G of the Public Health Service Act, as amended by Public Law 102-321; and

Literacy activities authorized under the National Literacy Act of 1991:

Provided further, That none of the funds under this head shall be made available until authority is provided in subsequent authorizing legislation.

This Act may be cited as the "Dire Emergency Supplemental Appropriations Act, 1992, Including Disaster Assistance To Meet the Present Emergencies Arising From the Consequences of Hurricane Andrew, Typhoon Omar, Hurricane

Iniki, and Other Natural Disasters, and Additional Assistance to Distressed Communities".

EDWARD W. MELLETT JR. MINNESOTA CHIEF FINANCIAL OFFICER	JAMES C. MCNAUL NEW YORK
ALAN CRANSTON CALIFORNIA	ALICE M. MARANTO NEW YORK
PAUL S. SARANTIS MARYLAND	PHIL GRAHAM TEXAS
CHRISTOPHER J. O'DOOR CONNECTICUT	CHRISTOPHER S. BOND MISSOURI
ALAN J. DIORON ILLINOIS	CONNIE MACK FLORIDA
JIM SASSER TENNESSEE	WILLIAM H. FORD DELAWARE
TERRY SAWYER SOUTH CAROLINA	PETE V. DOMENICI NEW MEXICO
MICHAEL C. SWEENEY ALABAMA	NANCY LAROON KASSEBAUM KANSAS
BOB GRAHAM FLORIDA	AREN SPECTER PENNSYLVANIA
TIMOTHY E. WIRTH COLORADO	
JOHN F. KERRY MASSACHUSETTS	
RICHARD M. BRYAN NEVADA	
STEVEN B. HARRIS STAFF DIRECTOR AND CHIEF COUNSEL LAMAR SMITH REPUBLICAN STAFF DIRECTOR AND ECONOMIST	

United States Senate
**COMMITTEE ON BANKING, HOUSING, AND
 URBAN AFFAIRS**
WASHINGTON, DC 20510-6075

January 11, 1993

The Honorable Bill Clinton
 President-Elect
 Presidential Transition Office
 1120 Vermont Avenue, N.W.
 Washington DC 20270

Dear Mr. President-Elect:

We are writing to urge you to include Federal housing and community development programs as a key part of an economic stimulus package. Like infrastructure, these expenditures generate jobs both through construction and rehabilitation activities and increased demand for products. Most importantly, these programs are highly effective at targeting stimulus to distressed communities and among chronically unemployed people. Housing and community development expenditures are a powerful force in generating jobs:

- Approximately 18,000 jobs are created for every \$1 billion in public housing modernization funds spent;
- 21,000 jobs are created in local communities for every \$1 billion in Community Development Block Grant funds spent;
- An estimated 56,000 jobs and 100,000 new low income housing units were created in 1991 by the Low Income Housing Tax Credit; and
- An estimated 40,000 jobs and 120,000 home ownership opportunities were created in 1991 by the Mortgage Revenue Bond Program.

We recommend several programs in the housing and urban affairs area as targeted economic stimulus tools:

- **Community Development Block Grant Program:** Increased appropriations for CDBG, targeted to infrastructure and other job-generating bricks and mortar projects, will enable cities and states to fund projects that are already identified as community

priorities. This program has a strong track record of stemming and reversing the tide of economic decay, creating opportunity for low income people, and has well established channels of distribution to get the money out to where it is needed quickly.

- **HOME Investment Partnership Program:** Accelerated spending of \$2.5 billion appropriated in FY 1992 and FY 1993 for HOME and expedited promulgation of regulations to implement 1992 legislative changes will be an immediate stimulus in local communities, creating thousands of jobs in the construction and building trades.
- **Public Housing Modernization:** Accelerated spending of the \$3 billion in appropriated public housing modernization funds will allow housing authorities to address backlogged repair needs immediately.
- **Housing Tax Extenders:** Permanent extension of the Mortgage Revenue Bond and Low Income Housing Tax Credit programs is needed. As indicated, these programs are powerful job-generators. President Bush vetoed the extension of these critical programs – thus resulting in the loss of two of our most important affordable housing tools.

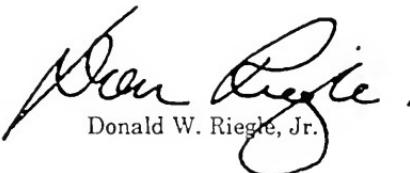
We strongly urge you to include housing and community development investments as part of an economic stimulus package. These investments create significant numbers of new jobs, are targeted to the most disparate populations, and create much needed affordable housing opportunities.

Thank you for your consideration of this matter.

Sincerely,



Paul S. Sarbanes



Donald W. Riegle, Jr.

**Office of the President-Elect
and Vice President-Elect**

Biography of Henry Cisneros

In 1981, Henry Cisneros became the first Hispanic mayor of a major U.S. city when he was elected Mayor of San Antonio, the nation's 10th largest city. Today, after more than a decade of public service in San Antonio, Cisneros is widely recognized as an original thinker and leading innovator in developing solutions to the problems facing our nation's cities. Cisneros' experience as a "big city" mayor and his academic training as an urban planner qualify him as one of the nation's leading urban policy experts.

Born and raised in San Antonio, Henry Cisneros began serving the city as a 28 year old City Councilman in 1975. He still lives in his grandfather's house on San Antonio's West Side, just one block away from where his wife's (formerly Mary Alice Perez) parents reside.

As a four-term Mayor of San Antonio from 1981 to 1989, Cisneros broke down racial and ideological barriers to rebuild the city's economic base. He recruited convention business, attracted high tech industries, expanded tourism and created jobs in downtown San Antonio. Behind Cisneros' leadership, the public and private sectors worked together to bring prosperity to San Antonio.

With Cisneros as Mayor, San Antonio's tourism revenues skyrocketed from \$654 million in 1980, one year before he took office, to almost \$1.5 billion in 1989 and jobs increased from 781,200 in 1980 to more than 1 million in 1988. In 1985, he was elected president of the National League of Cities.

Mr. Cisneros left public service in 1989 and is currently the Chairman of Cisneros Asset Management Company, a national fixed-income asset management firm for tax-exempt institutions. He hosted Texans, a one-hour television show produced quarterly in Texas, and Adelante, a national daily Spanish-language radio commentary, for 3 years, after leaving the mayor's office.

Cisneros recently served as Deputy Chairman of the Federal Reserve Bank of Dallas. He is co-chair of the National Hispanic Leadership Agenda, an organization committed to defining the common policy interests of the nation's Hispanic population. He is also a member of the Rockefeller Foundation Board of Trustees, Chairman of the Advisory Committee on the Construction of San Antonio's Alamodome and Chairman of the National Civic League.

- more -

P. O. Box 8086. Little Rock, AR 72203-8086 501-374-3322
1120 Vermont Avenue, N.W., Washington, DC 20270 202-973-2600

Mr. Cisneros began his career in government working as an administrative assistant in the San Antonio City Manager's Office. In 1971, he was selected as a White House Fellow and worked as an assistant to the Secretary of Health, Education and Welfare Elliot Richardson. In 1975, he was elected to the San Antonio City Council. He served as a Councilman until 1981, when he was elected Mayor of San Antonio.

Cisneros graduated from Texas A&M with a B.A. and M.A. in Urban and Regional Planning. He earned a M.A. in Public Administration from the JFK School of Government at Harvard and received a Ph.D. in Public Administration from George Washington University.

Henry Cisneros was born June 11, 1947 in San Antonio. He grew up in a middle class family on San Antonio's West Side as the eldest of five children. He married his high school sweetheart Mary Alice Perez in 1969. They have two daughters, Teresa and Mercedes, and a son John Paul.

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Office of the President-Elect
and Vice President-Elect

Statement of President-Elect Bill Clinton
December 17, 1992

It's been less than a year since the Los Angeles riots reminded us of our continuing urban crisis. We can't wait for our cities to explode again before we try to find ways to address their problems and to tap their immense promise. In too many American cities, the quality of life is declining, streets are less safe, the ranks of homelessness continue to swell, housing is out of reach for working families, and there simply aren't enough jobs and opportunities.

But the answer to these problems can't simply be to spend more money on the same programs. Innovative policymakers at the grassroots level, many of whom came to our economic conference this week, have learned the hard way to rebuild America without busting the budget. It's time to bring these lessons from city halls to Washington. And that's why I have chosen one of America's most successful mayors over the last decade, Henry Cisneros, as Secretary of Housing and Urban Development.

Henry is a visionary leader who will bring fresh energy to an agency that badly needs reform and revitalization. He has a masters degree from Harvard and a Ph.D. in urban planning. But his real education has been getting the job done for the people of San Antonio.

As a four-term mayor, he guided the revitalization of his beautiful city. And while he was mayor, the National League of Cities cited San Antonio as one of the nation's best in economic development. He knew that the answer to his city's problems was not in government spending alone, but also in aggressive economic development efforts that brought businesses and communities together. With Henry Cisneros at HUD, America's cities will have the voice and the vision they need and deserve. I think it's fair to say that everyone who has ever worked with Henry Cisneros considers him to be one of the most gifted public servants of our time.

###

P. O. Box 8086, Little Rock, AR 72203-8086 501-374-3322
1120 Vermont Avenue, N.W., Washington, DC 20270 202-973-2600

Cisneros has been on cities' 'battle lines'

By Richard Benedetto
USA TODAY

Former San Antonio mayor Henry Cisneros has spent most of the past 16 years handling the problems of the nation's 10th-largest city.

Now, after an apparently profitable hiatus running his own investment firm, and a brief but very public marital problem, he's about to lead a national effort as secretary of Housing and Urban Development in the Clinton Cabinet.

His confirmation hearing Tuesday before the Senate Banking, Housing and Urban Affairs Committee should be a piece of cake, according to the panel's ranking Republican, Sen. Alfonse D'Amato of New York.

"It's good to have someone as head of this important agency who has been on the battle lines," he said after meeting with Cisneros.

CISNEROS FILE

Age: 45

Nominated for: Secretary, Housing and Urban Development

Salary: \$148,400

Number of employees: 14,331

Annual budget: \$24.2 billion

Current job: Chairman, Cisneros Asset Management, handling public and private investment funds; Cisneros Benefit Group, a health and benefits planning firm; and Cisneros Communications, a lecture agency.

Current salary: Unavailable

Current employees: 18

Annual budget: Unavailable; asset management company handles \$530 million in public and private funds.

Cisneros has the credentials: He's a former city councilman and as four-term mayor of San Antonio, an ex-president of the National League of Cities and current chairman of the National Civic League, a citizen advocacy group founded by Theodore Roosevelt. He has master's degrees in urban affairs and planning from Texas A&M and Harvard and a doctorate in public administration from George Washington University.

So he knows his stuff when he talks about the need for more and better housing; the urgency of rebuilding decaying roads, bridges, parks and water systems; the critical shortages of jobs and hope in the inner cities; and the importance of making the government bureaucracy work better for people.

"It's not enough to think in terms of laws, or programs or budgets or departments, which is the Washington way of thinking about these things," he says. "We must see them from how they look in the communities and neighborhoods."

As mayor, Cisneros was successful in attracting businesses to San Antonio. Some critics, however, said he spent too much time courting the establishment and building things like convention centers and hotels, and not enough helping poor and blue-collar neighborhoods.

Critics also accuse him of using the San Antonio mayor's job to further his national ambitions.

Cisneros — tall, lean and telegenic — was on Democrat Walter Mondale's "short list" of vice presidential candidates in 1984. A Mexican-American who speaks Spanish fluently, he was a source of pride for the nation's growing Hispanic population. He was San Antonio's first Hispanic mayor and emerged as a leading spokesman on urban affairs.

His political future appeared unlimited. He was being talked about as a future Texas governor or U.S. senator, even presidential timber.

But his political career was sidetracked in 1989. He decided not to run for re-election so he could spend more time with his son, John Paul,

born a year earlier with a serious heart defect. Then came revelation of an affair with a campaign worker.

Cisneros left public life to do some serious "soul-searching" and try to repair his shattered family life.

He started his own asset-management firm, now the second-fastest-growing private company in the nation. He handles \$530 million in investment of public and private funds for governments, colleges and labor unions. He's also been a member of the Dallas Federal Reserve Board, served on several state and corporate boards and maintained a busy schedule of lectures, TV appearances and radio shows.

After teetering on the brink of divorce, he says his marital difficulties have been resolved. His son, now 5, is set for a heart operation in June. Older daughter Teresa, 21, graduates from Yale in May; Mercedes, 17, graduates from high school in June.

His wife, Mary Alice, was elected last April to the San Antonio School Board but will resign to move to Washington.

The bitter reality of the riots last spring in Los Angeles, where Cisneros rushed to help try to keep a lid on Hispanic neighborhoods, jolted him into returning to public life, he says.

"What I saw out there in the night-time scenes of fire and smoke, sirens wailing, helicopters whirring overhead and youth roaming the streets, and what I saw the morning after in destruction and shattered glass, left me with a sense that we have major problems in our society that require the best efforts of people in government and in the private sector," Cisneros says.

He immediately went to work advising the Clinton campaign, and making speeches in more than a dozen states on Clinton's behalf.

During the campaign, the issue of his marital problems rose again briefly when U.S. Treasurer Catalina Villalpando, a Bush appointee, called Cisneros and Clinton a pair of "skirt chasers." But she quickly apologized.

'Integrate resources' is the next challenge

President-elect Clinton's secretary of Housing and Urban Development has to pull together an ailing agency that four years ago was scorned as disorganized, inefficient and scandal-ridden.

President Bush's HUD secretary, Jack Kemp, spent his tenure getting the department back on an even keel, cleaning house and restoring its self-respect. Budgets and staff were restored under the Bush administration.

Over eight years, its budget had been cut by \$21 billion; its staff had shrunk by 5,000. Programs were slashed; political friends were rewarded with jobs. An Inspector General's report found mismanagement, influence-peddling, bribery and fraud.

Clinton's HUD nominee, Henry Cisneros, wants to continue and complete the job Kemp began.

Cisneros says more qualified staff must be hired, services must be provided more efficiently and public support must be won anew.

"You can't solve problems of urban neighborhoods, or rural communities, by thinking just about HUD or ... any single department," says Cisneros.

"We've got to find ways to integrate resources so they work. For example, it's not enough to talk about housing in a neighborhood — we need to work with the Justice Department on matters of crime."

Cisneros' challenge: Find new ways to put people in housing, rebuild inner cities and provide hope and jobs to the poor, with fewer federal resources.

His hope: Given Clinton's pledge to refocus on the cities, he starts with an advantage.

After Clinton won, Cisneros began considering the possibility of a Cabinet post. When the president-elect offered him the job of HUD secretary, Cisneros agreed to accept it, despite the headaches it will entail and the financial sacrifice of cutting ties with his investment business.

He'd been considered a leading contender for a short-term appointment to Lloyd Bentsen's Senate seat when Bentsen was named Treasury secretary, but he didn't want the pressure of campaigning for re-election to cut into time spent with his son before the operation.

"I really wanted to work in a department where I could get up every morning and feel I was doing the Lord's work — go out there and really help people," he says. "I genuinely am concerned about the future of our country, and particularly life for those treated so harshly by the economy. This is the best place to begin to get at those problems."

Cisneros is only the second mayor to be chosen HUD chief. The appointment was hailed by the U.S. Conference of Mayors, which has charged that the problems of cities were given short shrift by the Reagan and Bush administrations.

"The confluence of a person at HUD who has great passion for the cities and an administration willing to listen to our problems gives us great hope," says York, Pa., Mayor William Althaus, a Republican who heads the conference. "With the last two administrations, there was often nobody home at the White House end of Pennsylvania Avenue."



**Mortgage
Insurance
Companies
of America**

Suzanne C. Hutchinson
Executive Vice President

January 11, 1993

The Honorable Donald W. Riegle, Jr.
Chairman
Committee on Banking, Housing,
and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510-6075

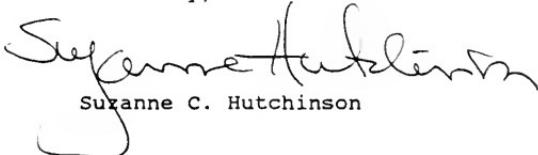
Dear Mr. Chairman:

I am writing on behalf of the Mortgage Insurance Companies of America (MICA), the trade association representing the private mortgage insurance industry, to express the industry's strong support for the nomination of Henry G. Cisneros to be Secretary of the Department of Housing and Urban Development. We respectfully request that this letter be included as part of the hearing record.

Mayor Cisneros was known for bringing together diverse groups in the public and private sectors to develop solutions to urban and economic needs of the City of San Antonio. We expect that he will bring the same skills and expertise to bear in his new responsibilities as HUD Secretary.

We urge prompt approval of this nomination. We stand ready to work with Secretary Cisneros and the Members of the Banking Committee on the nation's many pressing housing needs.

Sincerely,


Suzanne C. Hutchinson

**National Recreation and Park Association**

2775 South Quincy Street • Suite 300 • Arlington, Virginia 22206-2204 • (703) 820-4940 • Fax: (703) 671-6772

January 11, 1993

The Honorable Donald W. Riegle, Jr.
Chairman
Committee on Banking, Housing
and Urban Affairs
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

The National Recreation and Park Association is pleased to support the confirmation of Honorable Henry Cisneros to be secretary of Housing and Urban Development. We base our support on the belief that he recognizes the critical positive impact of public recreation and park resources and services on the vitality of urban America, and that as Secretary he will embrace them in departmental actions. The Association is a national organization of 20,000 civic leaders and professionals: We advocate quality recreation and park opportunities for all people.

Mayor Cisneros' leadership in San Antonio provides strong evidence that he understands fully the potential and necessity of parks and recreation in an urban environment and their impact on the economic vitality of cities. During his administration he was the leading force in the development and implementation of several long-range plans and programs, all or parts of which reflect the importance he attaches to parks and recreation. These include:

- o Creation of a plan consisting of 18 strategic objectives to prepare the city for the decade of the 1990's. Included in those objectives are improvement of the city's parks and libraries, arts and cultural enhancement and other human services key to the physical, emotional, mental and social well-being of citizens.
- o Creation of an Open Space Advisory Committee charged with assessing San Antonio's long range open space needs, as well as the role of open space preservation to protect natural resources, such as the Edwards Aquifer and Salado Creek, for example.

- o Expanded on San Antonio's long history of commitment to urban parks, dating from the establishment of Brackenridge Park, a large "central park" at the turn of the century. The city's rich cultural history and its ethnic diversity are reflected in its 140 park and recreation areas, comprising 6,237 acres of parkland.
- o Helped revitalize the San Antonio recreation system through continued effective use of the Federal Urban Park and Recreation Recovery (UPARR) Program (U.S. Department of the Interior/National Park Service). The city produced the nation's first approved "recovery action plan" through UPARR. A multi-year grant helped refurbish the Riverwalk, one of the country's most notable downtown greenways and San Antonio's most important linear recreation area.
- o Promotion of "Sister City" partnerships, establishing ties with cities in Japan, Korea, Taiwan and Mexico. These ties have resulted in increased cultural contact, expositions, and citizen and professional exchanges which are contributing greatly to expanded recreation and cultural horizons and resources. San Antonio's Kumamoto-En Park is a gift from the people of Kumamoto, Japan.
- o Strong activism in connection with integrated city-wide youth programs, including a comprehensive "support system" embracing recreation, summer jobs, health, law enforcement, education and referral services, among others.

As secretary of Housing and Urban Development, Mr. Cisneros' policy and program initiatives should reinforce the far-reaching contemporary role and mission of public park and recreation agencies in national policy and program actions. Consider the following: In San Antonio, Texas the park and recreation agency continues to sponsor over 35 junior golf events annually, each involving up to 100 youth. In Dallas, the Department of Parks and Recreation coordinates the gang intervention program. In Clearwater, Florida, the Chi Chi Rodriguez Foundation (which helps disadvantaged youth through comprehensive programs) operates on land provided originally by the park and recreation agency.

Aurora, Colorado's park and recreation district manages the city's extensive childcare and latchkey children's program. In Phoenix, Arizona calls for police assistance dropped up to 17 percent when the city expanded recreation opportunities in communities with high numbers of at risk youth. The Baltimore park and recreation agency's "Carrie Murray Center" offers urban environmental education, encouraging youth to stay in school and to pursue environmental studies and careers in college. In San Fernando, California, the park agency has been an aggressive partner in a multi-disciplinary task force assembled to reclaim Las Palmas Park from rival gangs.

Park and recreation agencies in scores of other cities, urban counties and metropolitan governments--Chicago, Austin, Texas, Los Angeles, greater San Francisco/Oakland, for example--independently and with private partners are engaged in land conservation strategies to guide urban and regional growth and to provide recreation.

These initiatives and successes must be tempered with the awareness that scores of large and small urban park and recreation systems, including Los Angeles, Detroit and Philadelphia, are functioning today in environments characterized by great political or fiscal stress.

Mayor Cisneros will assume the leadership of a federal agency with unmatched potential to impact the physical, social, and economic conditions of urban America.

The potential will remain unfulfilled, however, unless the department: Develops a comprehensive plan and strategy to enhance the quality of life in urban places, including access to attractive, functional and safe recreation and park resources and services; develops an internal structure and management system that encourages a responsive, comprehensive and flexible approach to the needs of urban civic leaders, residents and public entities and; initiates and/or participates in interagency and intergovernmental actions which link agency expertise, authorities and resources with others, including the Department of the Interior (for parks and recreation, for example), and the Department of Health and Human Services (to help implement the nation's year 2000 national health strategy, including its recreation components).

While problems are not restricted to urban places, as secretary Mayor Cisneros must in our judgement give particular attention to the department's role and potential in substance abuse prevention. We share the view of many that additional resources must be allocated to "prevention" rather than punitive actions to avoid to the extent possible far more costly responses. Part of the prevention strategy must more aggressively utilize recreation to create or strengthen individual self-esteem and, where possible, support family cohesion. In this context, we urge the Secretary to be aware of the limitations and criticism of the "Weed and Seed" program, with which HUD has been affiliated through the Department of Justice, particularly its failure to aggressively involve and support local public park and recreation entities and to extend and reinforce the impact of public recreation services.

Upon confirmation we believe the Secretary should take several actions which will result in both early and long-term impacts and efficiencies, among them:

1. Initiate a department-wide assessment of and strategy for departmental actions to enhance and incorporate public park and recreation systems, facilities and services in

national urban recovery and growth strategies. This assessment and strategy should be initiated and completed within 90 days and could be facilitated through the Assistant Secretary for Planning and Community Development and his or her counterparts.

2. Assure that public park and recreation agencies, resources and services are eligible to participate fully in Executive branch proposals and actions to stimulate urban economies, restore public infrastructure, and support youth development and employment, among others. These actions should especially include a departmental strategy which recognizes the conditions and environments which influence adolescent and youth behavior and long-term opportunity for youth and young adults.
3. Assure that all direct and assisted departmental initiatives and actions are fully responsive to the nationwide imperative for environmental stewardship, including the protection and enhancement of public parks, open space and their recreation values.
4. Reverse departmental policies and grant assistance practices which circumvent or ignore the role and capacity of public park and recreation agencies, facilities and services to address substance abuse in public housing in urban and other communities.

The American people have said repeatedly that high quality public park and recreation resources and services are critical to a healthy and productive life. We believe that Mayor Cisneros understands these views and the broad potential of parks and recreation in urban places. We stand ready and look forward to working with your Committee and with him to address needs and opportunities.

I have asked Barry Tindall, our director of Public Policy, to provide any further information you may require.

Sincerely,



R. Dean Tice
Executive Director

American
Planning
Association

Please reply to:
1776 Massachusetts Ave., NW
Washington, DC 20036
Fax 202.872.0643
Phone 202.872.0611

1313 E. 60th St.
Chicago, IL 60637
Fax 312.955.8312
Phone 312.955.9100

January 12, 1993



The Honorable Donald W. Riegle, Jr.
Chair, Banking, Housing and Urban Affairs
United States Senate
Washington, DC 20510

Re: Confirmation Hearing of the Honorable Henry G. Cisneros

Dear Senator Riegle:

I am writing on behalf of the American Planning Association (APA) in support of the Honorable Henry G. Cisneros as President-Elect Clinton's nominee for Secretary of the Department of Housing and Urban Development. APA is a non-profit public interest and research organization representing more than 28,000 urban and rural planners, city planners, elected officials and citizens. Our members share a commitment to the use of sound planning to meet our nation's economic and development needs, to conserve resources, and to preserve the environment.

As an urban planner, Henry Cisneros is well-known to APA. As Mayor of San Antonio, Texas, he was known for his ability to bring together diverse groups when dealing with complex issues. His experience as a mayor provides him with the ability to view the role of the federal government as a partnership with local governments. The new administration has emphasized its interest in creating more public-private partnerships and Henry Cisneros is well suited to carry out this policy of Secretary of the Department of Housing and Urban Development.

In closing, APA encourages the committee to confirm Henry G. Cisneros as Secretary of the Department of Housing and Urban Development. If you have any questions or are in need of further information, please contact Nancy S. Willis, AICP, Director of Government Affairs; or Patricia A. Vrabel, Government Affairs Assistant at (202) 872-0611.

Sincerely,

Connie B. Cooper, AICP
President

President
Connie B. Cooper, AICP

President Elect
Sam Casella, AICP

Executive Director
Israel Stollman, AICP

**Public Housing Authorities Directors Association**

511 Capitol Court, NE
Washington, DC 20002-4937
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January 6, 1993

Honorable Donald Riegle
Chairman
U.S. Senate Committee on
Banking, Housing and Urban Affairs
SD-534 Dirksen Building
Washington, D.C. 20510

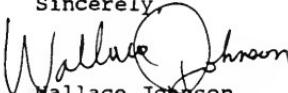
Dear Mr. Chairman:

As you know, PHADA represents the professional administrators of more than 1,400 housing authorities throughout the United States. I am writing on behalf of the association's membership to formally endorse the confirmation of HUD Secretary-Designate Henry Cisneros.

President-elect Clinton demonstrated very good judgement in his selection of Mr. Cisneros to head the Department of Housing and Urban Development. As a former mayor of one of the country's largest cities, Mr. Cisneros is well-versed in the challenges confronting this nation's public housing developments. Moreover, he has consistently demonstrated a strong commitment to revitalizing low-income housing and surrounding locales. In short, PHADA's membership believes that Mr. Cisneros' extensive and practical background in urban planning and superb academic credentials make him an excellent candidate for the position of HUD Secretary.

For all of these reasons, PHADA urges your committee to swiftly approve Mr. Cisneros' nomination. Thank you for your consideration in this matter.

Sincerely,


Wallace Johnson
Executive Director

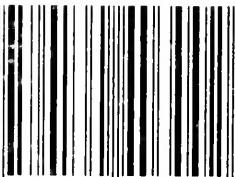


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